

The Forms and Lessons of Business-NGO Cooperation to Improve Corporate Social Responsibility

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Nowadays corporate social responsibility (CSR) is a considerably popular topic and it is becoming a well-known business conception. One of the most popular current “CSR trends” is the cooperation of non-profit and for-profit organisations. In our article we write about the various approaches of CSR and map the various forms of NGO-business common efforts, investigate their advantages and drawbacks. Today we know that a company has several stakeholders, who can influence its operation. CSR involves several issues related to internal and external stakeholders, e.g. employees, the local communities, non-profit organizations (NGO) or the natural environment. In our article we focus on a special aspect of CSR, namely cooperation between non-profit organisations (NGOs) and for-profit, business organisations. These efforts primarily focus on external CSR issues. Non-profit organisations are similar to for-profit companies in many ways, because they have incomes and operational costs, too. These similarities make cooperation easier. In our paper we primarily focus on Hungarian NGOs and best practices, while there are some country-specific characteristics, some general conclusions can also be drawn.

The concept of corporate social responsibility

The roots of the concept of CSR can be found in the United States of America, but it is becoming popular in Europe too. The European Union always found ethical market behaviour and responsible business practices important therefore it has formulated its own CSR policy and also gave a definition of CSR. The Green Paper in 2001 contained the following definition: “*a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis*” (European Commission, 2001:6). However in October 2011 the European Commission published a new strategy on corporate social responsibility. The Commission in this document defines corporate social responsibility as “*the responsibility of enterprises for their impacts on society*” (European Commission, 2011: 6). To fully meet their social responsibility, enterprises “*should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders*” (European Commission, 2011:6). The main difference between the two definitions is that the “voluntary” nature of CSR is not stressed any more in the second one, that is, meeting the regulatory expectations is also important.

CSR is becoming more and more important in business life as well. Several companies formulate their own CSR definitions and more and more events, conferences and other forums are organised. Many corporate leaders admit that while economics is still important, companies need to take into consideration that the

global business environment is changing. Some of them have realised that the increasing concern of environmental and social impacts by more and more stakeholders means that to achieve long term success, organisations have to consider the ‘triple bottom line’ – profit, people and planet. More and more company leaders think that CSR can positively impact these three elements and can contribute to the long-term existence and success of companies.

It is very difficult to give a comprehensive definition on CSR as it is interpreted in many ways by various authors. The lack of a universal definition has been discussed and criticized in the literature. Several definitions have been investigated and compared. Perhaps the most comprehensive research regarding the diversity of CSR definitions (Dahlsrud, 2008) analysed as many as thirty-seven of the most commonly used ones. Five dimensions of corporate responsibility could be identified, namely environmental, social, economic, stakeholder and voluntariness dimensions. This finding also shows the importance of stakeholders, we discuss in some more detail in the next part of the paper. The study also concluded that although there are many common elements of the thirty-seven definitions, none of them provide any guidance on how the dimensions should be balanced against one another during the decision-making process.

CSR and the stakeholders

Today we know that a company has several stakeholders, who can influence its operation. The term “stakeholder” was first used in the field of corporate management in 1963, meaning “*those groups without whose support the organization would cease to exist*” (Freeman, 1983:90.)

It is possible to classify the stakeholders of a company by several criteria. Grouping stakeholders makes orientation easier. According to the most common classification we can distinguish internal and external stakeholders. Internal stakeholders are the owners, the management, employees and their trade unions. Some more actors belong to the group of external stakeholders: international organisations, state(s), the EU, municipalities, local communities, competitors, costumers and consumers, suppliers, etc.

However, some actors do not really belong to any of these two groups. They are so called “*quasi internal stakeholders*” and “*potential stakeholders*” (Szlávik et al., 2009). Those stakeholders belong to the former group that seem to be external stakeholders for the first sight but have some internal information about the operations of the company, such as some suppliers, consultant companies, investors and NGOs that cooperate with the companies. Potential stakeholders are those that cannot directly influence the company, such as the natural environment or future generations. The interest of such stakeholders is often transmitted to the companies by some NGOs. After overviewing the concept of CSR and the role of stakeholders we can admit that it is useful to investigate the very special group of NGOs more closely.

Similarities of CSR and the operation of NGOs

Non-profit organisations are special stakeholders of the companies, as they represent other stakeholders' interests as well or they can foster cooperation between several stakeholders or groups of stakeholders.

There are some similarities between the way of operation and characteristics of non-profit organisations and corporate social responsibility. The voluntary nature of the two is the most obvious one resulting common strengths and negative aspects as well. Voluntary activities can be very effective as the actors are participating on a voluntary basis, they are typically enthusiastic and motivated. On the other hand, these activities are typically less "professional" and well managed. It is a great challenge for both NGOs and companies during their CSR activities to maintain enthusiasm and ensure efficiency and professionalism at the same time. Some forms of NGO-business cooperation are aiming to solve this problem: some consultant companies are active in giving management support for NGOs, strengthening their management and organisational capacities. Some old, usually international NGOs also operate in a professional way, what is typically the result of a long learning process, their knowledge sharing is also important to develop their national partner organisations' performance.

The importance of the personal factor is the other important common factor: in case of the NGOs the founding members have to be committed to be able to create a successful organisation. The same is true for the business sector's social responsibility, several empiric studies confirm that the role of management as an "example-setter" is important to improve the companies' performance. In the field of environmental management it is common that a highly motivated manager is able to convince the upper management or owners that environmental protection is beneficial for the company and they are able to incorporate it into the whole verticum of the company's operations.

The next important similarity is the importance and typically high level of communication and media presence. Communication is essential for several NGOs as they would like to form the attitude and expectations of the society, draw the attention to problems they find important. For the companies the communication of their CSR activity is also essential in order to exploit its business benefits. If consumers and other stakeholders are not informed about their high level of CSR, only a very limited range of advantages – enhanced employee motivation (in case of strong internal communication), resource use reduction – can be realised. It is a common problem both in case of NGOs' operations and CSR that campaign or project oriented activities are more easily communicated than the everyday, long-term and stable operation of an NGO or the responsibility integrated into the everyday operation of companies. It is a common threat though, that communication can become "too intensive" and become even counterproductive, resulting a lack of trust in companies' real CSR performance and the "over-communication" of some social or environmental problems by NGOs resulting disinterest by the society at worst, similarly to the story of "the boy who cried for wolf".

Potential cooperation between business and non-profit sector

The conditions of a successful cooperation are formulated both by companies and NGOs. Companies expect from NGO partners transparent operation and spending of support, well-defined mission and target audience and concrete, well-defined objectives. NGOs' expectations towards companies are high level of trust, being considered as a real partner (taking them seriously) (Ligeti, 2009), formulation of common objectives and full support (not restricted to financial support).

The main "directions" or measures of cooperation, based on relevant literature (see e.g. GEMI-EDF, 2008; CCIC, 2001; Schiller, 2005; Ligeti, 2009) are as follows: project-based cooperation with companies; training or consultancy between the business and non-profit sector (e.g. about donation); in case of a development project by the company the preparation of an environmental or social impact assessment or the coordination of communication with the local community; research, stakeholder-audit or market research for the company by the non-profit organisation; volunteering organised or assisted by NGOs; participation in internal or external communication of CSR; tender management etc.

The opportunities and pitfalls of cooperation are also broadly analysed in relevant literature (see e.g. CCIC, 2001; Schiller, 2005; Jonker & Nilhof, 2006; GEMI-EDF, 2008; Jamali & Keshishian, 2009; Seitanidi & Crane, 2009; Dahan et al., 2010; Kourula, 2010; Ligeti, 2009; Peterson, 2010; Harangozó, 2011).

The main benefits for the NGOs include gaining managerial knowledge and information from the companies. (Several NGOs do not realise that their operation is similar to that of the companies' except for the profit motive). NGOs also get additional resources to finance their core activity and improve their potential to reach their goals e.g. by more effective application for grants. It can also be beneficial that by gaining more information about the operations and processes of the company, NGOs will become acquainted with a different corporate culture and problem-solving methods. Not only participating NGOs get more attention by the public, but their activity and objectives too. Successful cooperation can contribute to better reputation of the NGOs, acknowledgement of their activity by the partner company and society in general.

Potential benefits for NGOs are widespread but it should be kept in mind that there are some threats too. This is especially true in case of a mismanaged cooperation or in case of lack of trust among participants. Potential threats include waste of time or other resources, loss of reputation (e.g. by bad partner selection) by the public in general or other NGOs and potential sponsors, contribution to "green washing" of companies. It is also possible that the cooperation with the business sector is not welcomed by some members of the NGO and this may result internal dissatisfaction within the organisation. Administrative burdens are also important barriers and potential negative consequences of common action. If the participant company does not take the cooperation seriously, the support provided for the NGO is not helpful and its effects are limited.

The advantages and opportunities of cooperation for the business partners (Kong et al., 2002; Kaptein & van Tulder, 2003; Lafrance & Lehmann, 2005; Mantel et al., 2007) include less critique and objection by the non-profit sector, improved company and brand reputation, improved media relations, financial and market benefits, networking and improved trust in the company.

Threats and potential pitfalls for the companies involve selection of "bad partner NGOs", waste of time and other (financial) resources, information leakage and bad reputation because of "miscommunication" of the project by the media.

Samii et al. (2002) define the main success factors of NGO-business co-operations, the most important ones are: common goals (the cooperation is beneficial for both partners); commitment (the partners are ready to provide their resources to the other); intensive communication; compatible organisational cultures; learning capacity of both partners; interdependence. We can conclude that benefits and threats are also present for both sectors and a successful cooperation has to meet several criteria.

Advantages and disadvantages of some cooperation forms

After overviewing the ways of cooperation, success factors and potential advantages and disadvantages in general, we could identify two main forms of cooperation that have different potentials, advantages and drawbacks:

The first form is cooperation independent from the operations, profile or sector of the company. Donation for the NGO is the main measure in case of this type of cooperation. For example, an association dealing with handicapped people can have some donation from a food manufacturing company or from companies in any other sectors. (While in case a foundation dealing with homeless or poor people, the food sector company can also provide some products.) This form of common efforts is beneficial as several NGO activities can be supported, independently from the company's sector, size or location, we can state that this is the most flexible form of CSR. The drawback of this kind of activity is that it is usually "ad hoc" with marginal effects on NGOs (except for the long-term donation by some large companies) and very limited effect on the company culture. In some cases employees do not get any information about the donations given by the company, therefore it does not have the potential to improve the motivation or loyalty of the employees. In worst case donation provided by the company management can even have a negative effect on the moral of employees, if they do not agree with the aims of the NGO supported. Corporate volunteering, what is usually also independent from the operations of the company, is some more beneficial from several aspect. By involving several employees the cooperation will probably have some positive effect on company culture, it can improve cooperation among employees and increase their motivation and loyalty as well. The most common critique about volunteering is that corporate employees often lack the competencies necessary for effective involvement in such activities (e.g. environmental protection, renovation, children programmes). Therefore NGOs with relevant knowledge and routine have an important role in ensuring the effectiveness of such activities. In the case of a successful common project, employees and the company management will gain knowledge and some routine about the aims and activities of NGOs.

The other group of measures involves cooperation related to the profile of the company. The provision of products or services is the simplest form of this kind of cooperation. In case of product donation the advantages and limitations are similar to those of donation in general. However, providing company products can improve the reputation of the company more effectively than money donation, and it can even contribute to improved market share by reaching new consumer segments or improving the loyalty of existing consumers. Several consultant companies provide some services for the NGO sector. This is advantageous as NGOs can learn a lot from these business organisations, analysing more closely we can see that there are two different aspects of improvement. NGOs can improve their capacity to gain resources and develop their managerial and organisational skills as well, which latter can make

the core activity of the NGO more efficient. Providing products or services for NGOs can also contribute to the satisfaction and loyalty of the employees of the company, they can be proud of their company and “products useful for the society”. Still, it is a threat that in case of providing services free for the non-profit sector, employees working on this area are less appreciated within the company – by the management and other employees – as they generate less income for the company. In spite of this threat, in our opinion this form of cooperation has more potential than co-operations not related to the company profile. Finally, some NGOs are specialised to improve the environmental or social performance of companies. Some of them offer membership to companies or other organisations. In the case of this form of co-operations primarily “companies learn from NGOs”, so the direction of flow of information is the opposite as in the case of the previous form of cooperation. These NGOs have an important role in awareness raising and the development of companies’ performance, broadening their way of thinking and keeping them up-to-date in the field of environmental and social issues. It is a threat for this way of cooperation that the member companies only follow the activity of other members, they receive positive feedback only from a narrow group of companies and other stakeholders, they “celebrate each other”, and become less open to initiatives of other NGOs and potentially important stakeholders. In order to avoid these pitfalls, professional NGOs should continuously collect information, improve their activities and get new members in order to broaden their horizons.

The characteristics of non-profit sector in Hungary and its consequences for the cooperation

Analysing the characteristics of the Hungarian non-profit sector we first have to clarify the use of terms. In Hungary the non-profit sector is often called “civil sector” or “third sector” too, but several other names are also used. *“The non-profit sector is a part of the civil society but from some aspect it has a narrower meaning and from another aspect has a broader meaning than civil society. It has a narrower meaning as it does not represent the whole of the civil society, but at the same time the term non-profit sector is broader too, as several organisations (public foundation, public bodies, public benefit organisations) belong to Hungarian non-profit organisations, that are not established based on citizens’ initiatives, that is, do not exactly meet the operational criterion of bottom-up initiation”* (Bartal & Czike, 2003:5).

As for the financial situation of the sector we can state that most NGOs lack appropriate funding, which makes professional operation difficult. In the past few years the available grants have decreased and the modification of regulations also made the conditions less favourable. This situation makes them defenceless and ironically speaking we can say that “they are even ready to co-operate”. Several of them choose their partners according to the available financial resources. Based on these characteristics of the Hungarian civil sector we can conclude that a more intensive cooperation with the business sector could be advantageous for both partners. The current situation is not favourable for strategic cooperation related to the company profile. With the development of the civil sector and company practices in the field of NGO-business cooperation more intensive and successful common action is possible.

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