Doing Business With Business

Development NGOs interacting with the corporate sector

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PREFACE

For long, business and NGDOs seem to have lived in two separate worlds. They stood for values, approaches and missions thought to be incompatible. At the end of the 20th century this changed, however. Ongoing developments such as the rise of Corporate Social Responsibility, the rolling back of the state on issues such as public service provision and the regulation of the economy, and the increasing recognition of the market as strategy for poverty reduction, resulted in significant changes in the relationship between both worlds.

Nowadays, there is increasing interaction between NGDOs and businesses. Their relationship has clearly become more common characterised as it is by a variety of motives, objectives and governance structures. Some even argue that the increasing level of interaction between NGDOs and business is part of a process of fundamental change in which the roles and responsibilities of the private and the public sectors are reshaped.

Despite the rise of NGDO-business relationships, few studies are available that coherently discuss the full spectrum of NGDO-business relationships and their key issues and concerns. In doing exactly this, this book significantly contributes to the ongoing debate. More specifically, as this book is written from the perspective of NGDOs, it will help NGDOs in making strategic decisions about their relationships with business. For others, it is a perfect tool to learn more about the topic.

At a time of significant changes in Dutch development policy (with increasing attention to partnerships, the role of the private business sector in development and a reshaping of the relationship between government and NGDOs), this study is appropriate and timely. The Evert Vermeer Foundation (EVS) can use it in her role as a political lobby organisation with a strong focus on development policy. Naturally, we also hope that this study on its own will be used as well: it is well worth it.

Maastricht, December 2004

Jo Ritzen
Chairman Evert Vermeer Foundation
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ACRONYMS

CCC - Clean Clothes Campaign
CCIC - Canadian Counsel for International Cooperation
CSR - Corporate Social Responsibility
DFID - Department for International Development
DGIS - Directorat-Generaal Internationale Samenwerking
   (Directorate-General International Cooperation)
FDI - Foreign Direct Investment
FWF - Fair Wear Foundation
GNP - Gross National Product
ICT - Information and Communication Technology
ICCO - Interkerlijke Organisatie voor Ontwikkelingssamenwerking
   (Interchurch Organisation for Development cooperation)
IMF - International Monetary Fund
IRENE - International Restructuring Education Network Europe
NGO - Non-Governmental Organisation
NGDO - Non-Governmental Development Organisation
NOVIB - Nederlandse Organisatie voor Internationale Ontwikkelings-
   Samenwerking (Netherlands Organisation for International
   Development Cooperation)
ODA - Official Development Assistance
OECD - Organisation for Economic Cooperation and Development
PSO - Personele Samenwerking met Ontwikkelingslanden
   (Personal Assistance with Developing Countries)
PR - Public Relations
SER - Sociaal Economische Raad (Social Economic Council)
UNCTAD - United Nations Conference on Trade & Development
WDM - World Development Movement
Introduction

Whether they see business as a major source of impoverishment in the world or whether they recognize the positive contribution companies can make to development, Non Governmental Development Organizations (NGDOs) have undoubtedly become more interested in the private sector in the past few years. Many NGDOs are beginning to assess the potential gains that engagement with business can bring them. Others have already become actively involved with this issue and are in the process of reviewing their strategies towards the private sector.

Whereas NGDO-business engagement has become a much-debated topic, it is striking that there is surprisingly little literature available that coherently discusses the spectrum of this engagement. Besides, most of the literature available has been written from a corporate perspective and therefore it is of little interest to NGDOs.\(^1\) As such, there is a clear need among NGDOs for coherent information concerning NGDO-business relationships.

Objective and questions

The rationale for this study is the increasing interest amongst NGDOs in business on the one hand, and the lack of knowledge concerning this topic on the other hand. As such, its main objective is:

‘to offer concrete starting-points for NGDOs that are interested in private sector engagement by providing insight into the (changing) nature of NGDO-business relationships.’

Key questions addressed in this study are:

- Why have NGDO-business relationships become such an important issue?
- Which motives do NGDOs and business have engaging each other?
- What type of relationships between NGDOs and business exist and what are their aims?
- How do the different types of NGDO-business relationships relate to one another?
- Which issues on the organisational and management level arise when NGDOs engage in relationships with business?
- What are the possible pitfalls in NGDO-business relationships and how can these be avoided?
- What are the lessons to be learned from past NGDO-business relationships?

Because NGDO-business relationships are still an under-researched topic, this study has an explorative character. It aims to provide a coherent overview of the spectrum of NGDO-business relationships in such a way that the main issues and concerns are systematically discussed. As the study departs from an NGDO-perspective, it offers key insights into how NGDOs make strategic and operational decisions about their relationships with business.

Note that this study focuses on direct relationships between NGDOs and com-

\(^1\) This is not so surprising since virtually all academics who research NGDO-business relationships work in fields related to business management. This became strikingly clear when the author recently attended a conference for Dutch and Belgian PhD-researchers engaged in the field of Corporate Social Responsibility (CSR). Of all the participants, the author appeared to be the only one whose research had perceived CSR from the perspective of NGOs.
panies. NGDO-activities that indirectly target business (e.g., lobbying at governmental level for legislation) are not discussed here. Furthermore, this study explicitly concerns Northern NGDOs active in the field of international development that interact with mainstream Northern companies.

Methodology
This study used a combination of qualitative and quantitative research methods. First of all, a literature review was carried out for which an extensive amount of relevant documentation was gathered (and reviewed), consisting of, amongst other things, academic articles, books, NGDO-policy papers, NGDO-homepages and internal NGDO-documentation. In addition, a total of 21 Dutch NGDO-representatives were interviewed in the period March-September 2003. For a complete list of the people interviewed, see Appendix 2.

Furthermore, in the period from May up until June 2003, a survey was carried out with the aim of gaining a clear overview of Dutch NGDO's current relationships with business while similarly grounding the study with quantitative empirical data. A total of 35 Dutch NGDOs participated in the survey. The survey’s content was based on a preliminary literature review as well as several explorative interviews with NGDO-representatives held in March and April 2003.

The selection of the NGDOs for the survey (whether or not NGOs qualified as ‘development-oriented’) was based on criteria used by DGIS.² DGIS only provides financial support to organisations whose core activities and objectives have a direct link to poverty reduction. The NGDOs which were approached in this study all qualified for DGIS-funding. The complete survey, its results and the list of participating NGDOs can be found in Appendixes 1 and 2.

General outline of the study
Three main types of NGDO-business relationships are discussed in this report (in Chapter 2 through 4). Firstly, however, Chapter 1 explains why NGDO-business engagement has become such a much-debated topic. It discusses why NGDOs and business have become interested in each other. It also explores the different views that NGDOs have towards business. The latter is important as the different ways in which NGDOs see the private sector form the basis of the different types of relationships that exist between the two sectors.

Chapter 2 explores NGDO-business relationships with the primary aim of gaining access to corporate resources in either money or kind. Various forms of corporate giving to NGDOs are explored. Other topics discussed include the criteria that NGDOs use when deciding whether to accept corporate funding or not, and the potential problems that can arise when they (unquestioningly) accept money from corporations. Finally, attention is paid to relationships in which NGDOs assume the role of consultant for companies.

Chapter 3 discusses NGO-business relationships with the aim of promoting responsible business behavior.³ The chapter gives an historical overview of the rise

² The DGIS (Directoraat Generaal Internationale Zaken) constitutes the part of the Dutch Ministry of Foreign Affairs that deals with international development cooperation.
³ Various types of NGOs are engaged in promoting responsible business behavior. These include NGOs with a focus on international development, the environment or human rights. This means that although this report is specifically concerned with development NGOs (NGDOs), much of this Chapter 3 applies to other NGOs as well. Therefore, it uses the (umbrella) term ‘NGO’, and not the (more specific) term ‘NGDO’.
of NGO-initiatives that have this aim, as well as the specific strategies NGOs use to achieve this end. Both antagonistic- and cooperative approaches, as well as their linkages, are discussed. Specific attention is paid to the role codes of conducts play in these strategies. Finally, the chapter discusses the limitations and weaknesses of NGDO-strategies in order to promote responsible business behaviour.

Chapter 4 discusses NGDO-business relationships aimed at contributing to development objectives. The issues discussed include the different criteria NGDOs use when selecting a suitable corporate partner and project for cooperation, the (cultural) differences between corporations and NGDOs and the factors that appear to determine the success (or failure) of NGDO-business partnerships. Finally, the chapter provides some critical reflections about the potential dangers and limitations associated with partnerships.

Finally, Chapter 5 provides a summary of the individual chapters and draws several main conclusions.
1. Understanding changing NGDO-business relationships

Historically, most relationships between the private sector and NGDOs have been mainly founded upon conflict. NGDOs tended to view business as exploitative, putting profit maximization above human well-being. In turn, corporations mostly saw NGDOs as unrealistic in the light of the realities of the market place. Consequently, both parties largely avoided each other and dialogue, let alone cooperation, were non-existent (Heap 2000).

From the late-1990s onwards, business and NGDOs have clearly become more interested in each other. Many companies (particularly multinationals) have set up departments engaged with sustainability and stakeholder communication. Similarly, many NGDOs have started to deploy (more) time and resources to business-related issues. Although NGDOs continue to campaign against irresponsible corporate behaviour, there also seems to be a growing mutual willingness to engage in cooperative relationships.

This chapter discusses the (changing) nature of NGDO-business relationships. Section 1.1 outlines the major reasons why companies and NGDOs have become more interested in each other. Subsequently, section 1.2 focuses specifically on NGDOs, and further explores the different views they have about business. These perspectives are important as they form the basis of NGDO’s strategies towards the corporate sector (which are discussed in Chapters 2, 3 and 4).

1.1 The NGDO-business nexus

How business has become interested in NGDOs

At the basis of the changing relationships between the private sector and NGDOs lies the emergence of Corporate Social Responsibility (CSR). In order to understand why companies and NGDOs have become more interested in each other, we need to have a basic understanding of CSR and its emergence. The origins of CSR are associated with several contemporary and interlinked developments. The first is the rise of corporate power within the past decade. In a context characterised by trade liberalisation and economic globalisation, corporate resources and power – particularly those of multinationals - have increased. The annual turnover of the largest multinationals is greater than the GNP of most developing countries. Heap (2000) estimates that multinationals currently account for roughly one-quarter of the earth’s GNP.

With growing corporate power, the capability of national governments to set their own agenda has weakened. During the past decade, the role of governments has further lessened due to the privatisation of state industries and public services. Furthermore, in accordance with the neo-liberal paradigm of the 1980s, most governments (both in the North and South) have become more reluctant to impose restrictions on companies they depend on for economic growth and employment. Governments have become involved in a process of (competitive) deregulation in order to stimulate their economies and attract foreign investments (Bendell 2000: 249).

With declining governmental regulation and growing corporate power and influence, the impact multinationals have on people’s lives worldwide has expanded. In the late 1990s, the idea emerged that the growing global influence of business should be accompanied by global responsibility. Recognition
emerged that tackling environmental and social issues globally can no longer be the sole responsibility of governments and international organizations (Heap 2000: 1). Thus, as the private sector has freed itself from many regulations, more and more is being expected from it.

The notion of Corporate Social Responsibility (CSR) which emerged in the late 1990s, captures the idea of business responsibility in relationship to sustainable development. Not only governments and NGDOs embraced the idea of CSR, but also (part of) the business community has adopted its discourse. A rising number of multinationals incorporated the phrase ‘sustainable development’ in their mission and policy statements. The Dutch government describes the promotion of CSR as a policy priority. It expects sustainable and responsible behaviour from Dutch companies that operate overseas, especially in regard to issues such as human rights, the environment, labour circumstances and corruption (DGIS 2002).

Although there is no univocal definition of CSR, it is generally accepted that CSR is about how companies organize and manage their core business in order to add social, environmental and economic value. CSR means that companies’ operations should have a positive impact on all stakeholders (e.g., customers, NGOs, suppliers, employees), which is clearly more than mere compliance with the law (SER 2001). CSR is not about charity, but relates to the operational mechanisms by which profits are made by the company. This means that companies should not only be judged by the products and profits they make, but also by how these are made (Sparkes 2003).

The corporate concern for sustainable development certainly does not only come from a newly-found sense of responsibility. Over the past decade public opinion, brand-image and company-reputation have become influential factors for business results. Social and economic relations have changed in the developed countries. Higher education-levels and a growing individualisation have led to a more assertive and emancipated population. There is a clear tendency of the northern public to become more sensitive towards the social and ecological behaviour of companies. If a company has been identified with a social or environmental scandal, consumer-behaviour and therefore company profitability or value can be negatively affected. Especially companies with well-known brand-names have proven to be highly susceptible to negative publicity (Murphy & Bendell 1999: 40-52).

The rapid developments made in the Information and Communication Technology (ICT) branch have caused companies to become even more vulnerable when behaving unethically. Although the vast majority of the world’s poorer groups do not have direct access to ICT, a growing number of Southern NGOs does. This development has put more pressure on companies to explain and justify their activities in countries and regions that previously were not covered by the media. This was eloquently put by Bray (2000) who notes that ‘in an internet-connected world, companies are coming to realise that there is no hiding place for poor performance on environmental and social issues’.

Civil society organizations, including NGDOs, have played a catalytic role in promoting private sector responsibility to sustainable development. Heap (2000: 3) identifies the mid-1990s with such catastrophes as that of the Ogoni people in the Delta of southern Nigeria (which involved Shell and a variety of campaigning

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4 Multinationals (just as donor agencies in the 1990s) can be criticized for using the notion of ‘sustainable development’ without a clear and universally agreed definition.

5 Although not every type of company is susceptible to the reputation mechanism, see Chapter 2.
NGOs and the disposal of the Brent Spar oil rig (which involved Shell and Greenpeace) as being the turning point. To Heap, these events were crucial since ‘here, for the first time, the links between business’ power to do good, and to do bad became explicit in the public arena’. It then also become explicitly clear that NGOs had the power to inflict huge damage on multinational corporations.

NGDOs have come to represent a powerful potential threat to the corporate image and therefore, profitability. Successful campaigns that address corporate malpractices can result in a diminished turnover, penalties, low employee morale, difficulty in recruiting staff and loss of public trust (Heap 2000). The rise of the CSR-discourse and its adoption by governments, and international organizations has made NGDO-concerns about corporate (mis)behaviour in developing countries even more legitimate and influential. Or, as expressed by Oonk (2003), NGDO-claims can no longer be pushed aside as ‘some left-wing fancy’ but they should be recognised as being very legitimate social demands.

At the same time, NGDOs also represent new opportunities for companies. By seeking dialogue or cooperation with NGDOs, or by providing financial support, companies can demonstrate their social and environmental commitment to society. Gaining credibility is particularly a key factor here. Opinion polls repeatedly confirm that the public believes NG(D)O-claims about ethical issues (Zadek 2001). Furthermore, NGDOs had years of experience with development work. If a company wants to contribute to local development needs or wants to make its core business activities more socially and/or environmentally sound, then NGDOs would appear to be logical partners for cooperation (more about this in Chapters 3 & 4).

How NGDOs have become interested in business

The NGDO-sector has become more and more interested in business during the past few years. In the Netherlands for instance, many NGDOs are currently engaged in the process of formulating policies and strategies with respect to the private sector. Several developments lie at the basis of the growing NGDO-interest in business. Firstly, because of the expanding power and reach of multinationals, a growing number of NGDOs has identified the corporate world as the real target for change (Fabig & Boele 1999). Although global wealth has grown, the gap between the rich and poor has widened. While world-income in the 1990s increased by an average of 2.5 percent annually, the number of people living below the poverty line of a dollar a day increased by almost 100 million to 1.2 billion (Stiglitz 2002). In response to that, a growing number of NGDOs is raising concerns which relate to biased global trade rules, distorted markets, and (other) aspects of business conduct and impact in developing countries.

A number of NGDOs feels that the rise of CSR has given them a new opportunity to influence corporate policy. In its annual report of 2002, for instance, the Dutch NGDO Solidaridad (2003: 21) argued that the ‘increasing sensitivity [of business] to the social effects of their activities [could be] the beginning of a fundamental process of change’.

At the same time, the rising NGDO-interest in the corporate sector also comes from the unwillingness of the state to regulate the economy (Newell 2000). Where new regulation is being developed, there is an increased emphasis on voluntarism. In the Netherlands, this trend is clearly visible. The core message of the 2003 policy-paper of the Dutch Ministry of Development Cooperation for instance is ‘less government, more society’ (DGIS 2003a). In a speech at the WTO-conference in Cancun Mexico, Minister Van Ardenne made it explicitly clear that ‘fair
trade should not be regulated or imposed from above’ and that the ‘the prime responsibility lies with consumers’ (DGIS 2003b).

Out of frustration with the incapacity or unwillingness of the state to regulate the private sector, there is some disenchantment amongst NGDOs towards the government as a provider of solutions. This has contributed to a rise in the number of NGDOs which have become involved in (non-governmental) business regulation.6 As governments traditionally have been the sole source of regulation, this trend reflects a fundamental change in thought concerning the roles of the different sectors (government, private sector and civil society) in society (Bendell 2000).

In addition, NGDOs are also becoming more interested in the (potential) positive contribution of the corporate sector to development and poverty reduction. A number of NGDOs has changed its once hostile stance towards business and the market to a more positive one. They have become more interested in the potential of the market, and market forces are seen as increasingly legitimate (Sustainability 2003: 8). This development reflects a change in NGDO-thought: from business ‘as being part of the problem’ (e.g. exploitative capitalism), to business ‘as part of the solution’ (using companies as an instrument for development and poverty reduction).

A trend occurring on a different level is that since the mid-1990s the major development agencies have started to encourage partnerships between government, civil society and the private sector as a new strategy for sustainable development (Ashman 2001). The development community has become more interested in the role that the private sector plays in development (see for instance Schulpen & Gibbon 2001). This became explicitly clear at the 2002 World Summit for Sustainable Development in Johannesburg South Africa, where ‘public-private partnership’ was the foremost catch-word. Major multilateral actors (e.g. World Bank, UNDP) and several bilateral donors have started programs aimed at forging partnerships amongst business, civil society and government. Some well-known initiatives are the Business Partners for Development programme of the Worldbank and the Global Compact of the UNDP. As a result of this development, NGDOs are being approached as ‘partners’ by corporations for a variety of joint activities (Chapters 2 and 4 elaborate more on this topic).

Finally, NGDOs have also become more interested in the corporate sector because of motives related to self-interest. Many sense that business engagement could become ‘a big thing’ and that to ignore this development might mean that they would ‘miss the boat’. Moreover, companies also represent a new opportunity for obtaining resources in a period when NGDO-funding is becoming tighter. In many Northern countries, government support to development NG(D)Os is on the decrease (Sustainability 2003).7 As a result, they have been forced to diversify their revenue base and find additional sources of income. The recent push for the partnerships from development agencies comes along with new opportunities for NGDOs to obtain funds. The Dutch government, for instance, has recently deployed an initiative in which subsidies are made available for partnerships amongst business, NGDOs and governments.

1.2 NGDO-perspectives towards business

NGDOs which are active in the broad field of international development are by no

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6 This is, for instance, clearly the case in the Netherlands. See Appendix 1.

7 Although this clearly differs per country. In the Netherlands, for instance, such a trend cannot be observed.
means a homogeneous group. Although their missions all involve contributing to some form of social justice, they vary enormously according to their purpose, philosophy, scope of activities, organisational structure and recognition. There are also huge differences in organizational backgrounds. Some NGDOs have their roots in action committees for Third World justice, often with a strong political and ideological content, whereas others have evolved from small-scale charitable initiatives. Some NGDOs dedicate all their attention to a single issue such as labour abuse in the international garment industry, while others are active in a multitude of issues. Given the enormous differences amongst NGDOs, it is not surprising that there is no such thing as one common NGDO-perspective towards the private sector.

More strongly, the findings from this current research clearly show that many NGDOs in the Netherlands do not have a coherent view regarding business at all. Currently more than half of the Dutch NGDOs does not have a worked-out policy for corporate relationships (see Appendix 1). Furthermore, many NGDOs that do mention the private sector in their policy-documents only make broad and vague statements which are far removed from concrete activities. Moreover, within organizations (even those with concrete private sector strategies) it appears there is hardly an unanimous view of the private sector. This is particularly the case between different departments, leading to the point where, for instance, the campaigning department of an NGDO has a different perspective on companies than the fund raising department does.8

Why is it that so many NGDOs lack a clear and coherent vision of the (potential) role of business in their activities? Several explanations can be given. One reason appears to stem from the lack of first-hand experience with (mainstream) companies. NGDOs have long focused their activities on social sectors outside the marketplace. Besides a relatively small number of NGDOs with a history of business campaigning, most NGDOs have worked in areas that had little or no direct relationship to companies or market.9

This absence of experience also relates to NGDOs’ objectives that often lack a direct connection with either companies or the marketplace. This particularly holds true for many single issue NGDOs. Furthermore, a number of NGDOs is not so much engaged in promoting development, but in providing relief (e.g. helping children). Such organisations tend to view companies mainly from a fundraising perspective. All this is in sharp contrast to environmental NGDOs, which often deal with problems that have a direct (causal) relation to the impact of unsustainable business operations.

Furthermore, NGDOs’ (previous) avoidance of business and the (mainstream) market also seems to be caused by cultural differences and deeply rooted mutual perceptions and prejudices. There was (and still is) a clear tendency amongst NGDO-staff perceive companies as operating on the opposite end of the continuum of concern for poverty and development (Heap 2000: 10).

Logically, NGDOs recognizing the potentially positive contribution of compa-

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8 This can sometimes cause organizational tensions as activities of one department can undermine those of another. For instance when one NGDO-department campaigns against a company for its unsustainable practices, while another department of the same organisation approaches the same company for fund-raising purposes (Heap 2000).

9 The main exceptions are organisations engaged in promoting fair trade (which operates outside the mainstream market) and those that have been involved in income-generating projects (that were often not very successful as they lacked commercial vision).
nies to development processes are likely to approach companies very differently compared to NGDOs that focus on the negative impact of business operations in developing countries. Thus, any study into the different NGDO-approaches towards the private sector should start with a comprehension of how NGDOs perceive the private sector. The results from this study show that NGDOs perceive business in three major ways. The first and most simple way is that in which business is simply seen as a source of funding. Whereas most NGDOs in the past hardly paid attention to businesses in their fund raising activities, and an increasing number of NGDOs have recently ‘discovered’ the corporate sector as a source of funding (see Chapter 2).

The second and third way both deal with NGDO’s specific view(s) on the role that businesses play in development. In short, perspectives range from the view that (1) companies have the potential to make a positive development impact as long as they operate within the parameters of certain social and environmental standards on the one hand, to (2) the position that (multinational) corporations have no role in a sustainable future on the other (see Chapters 3 and 4). Of course, many NGDOs do not see business in a singular way but they may have perspectives characterized by more than one of these views.

NGDOs with a pessimistic view on the role of business in development see exploitative corporate behaviour as a major source of impoverishment in the world. They argue that multinationals, although often more powerful and wealthier than governments, do not recognise a moral obligation to use their power and wealth in order to improve the lives of those people who live countries where they operate. Such NGDOs generally see the current global economic system and/or the intrinsic characteristics of multinationals (with growth and profit as overriding principles) as the main cause of non-sustainable business practice. Therefore, they reject the market-principal as the starting point of economic organization (WDM 1999). This view of the corporate sector is clearly expressed by Madely (1999: 168) who argues that:

‘Transnational corporations have used their money, size and power to influence the policies of governments and change the rules of the game in their favour. They have pushed the idea of privatisation and taken over much of the role that the government once played. They have used their position to influence international negotiations and their muscle in different ways to effectively cause hardship for the poor – the invisible in the corporate eyes. And they have used the power of public relations to assure us that all is well.’

Whereas the NGDOs which hold this view have a clear vision of what they are opposed to, their ideas of an alternative remain broad, diffuse and less coherently expressed. To a certain degree, this is the result of the large number of philosophical traditions and ideologies they draw from, such as environmentalism, eco-feminism, Buddhism, Christianity, Ghandism, anarchism, Marxism, and radical and socialist feminism. Although these philosophies and religions in principal are all committed to equality, social justice and environmental sustainability, they all lack a common vision of how the current economic system should be changed (Howell & Pearce 2001).

The results of this research show – not surprisingly - that NGDOs that recognise that companies have the ability to positively contribute to development processes are also usually fairly positive towards raising funds from the private sector. NGDOs that focus on the negative impact of corporate operations in developing countries, however, are usually very critical towards accepting corporate funding.
NGDOs with a (more) optimistic view towards business point out that the private sector can make important positive contributions to development. Such NGDOs argue that (multinational) corporations can help to promote development by creating jobs and income, providing skills and training and transferring appropriate technologies. They also point out that companies can play a catalytic role in the local economy and stimulate the development of the local private sector, particularly by using local suppliers and raw materials and linking local economies to national and international markets. Finally, these NGDOs argue that (Western) companies can help developing countries by producing affordable products and/or services that meet the needs of the poor, by paying taxes to provide a source of state revenue and by providing resources (funds, expertise, contacts) to support NGDOs and/or local communities (CCIC 2000).

Of course, the viewpoints given above represent the two extremes of the continuum. Most NGDOs have a more nuanced view and recognise the role of the private sector as the basis of wealth creation and an engine for growth, but at the same time they remain critical towards the negative effects of corporate operations (e.g. exploitation of labour, environmental pollution). This is reflected in the survey results which show that of the 35 NGDOs surveyed, only two completely agreed and four completely disagreed with the proposition that ‘the operating procedure and objectives of large companies – especially multinationals – are incompatible with sustainable development and poverty reduction in developing countries’.11

1.3 Outlook
This chapter showed how NGDOs see the private sector as a source of adverse (business) practices, as a source of funding, and as a force (potentially) beneficial to development processes. Logically, a NGDO’s perspective of business determines its strategy. NGDOs that (also) perceive business as a potential source of funding are likely to try to approach companies with the aim of acquiring resources. NGDO-strategies with this goal are discussed in Chapter 2. NGDOs that are concerned with the negative effects (multinational) corporations’ activities can have on the world’s poor, can be expected to approach businesses with the aim of promoting CSR. NGDO-strategies with this aim are discussed in Chapter 3. Finally, a growing number of NGDOs recognizes the contribution companies can make to poverty reduction. Such NGDOs are likely to pursue cooperative relations in order to contribute to development objectives. Such relationships are discussed in Chapter 4.

11 These statistics presented here should not be taken in a strict sense but instead they should be seen more as a global indication. This is because many NGDOs do not have a commonly shared view towards business and individual staff members can have different perspectives.
2. Funding and consultancy relationships

Since we actively started targeting businesses in 2001, corporate funding has become increasingly important to our organisation. A few years ago, less than two percent of our annual turnover originated from private sector funding. By 2002, this had increased to more than seven percent. We expect business funding to increase even further in the future (personal communication Account Manager Woord & Daad, 21-5-03).

In the last few years, NGDOs have become increasingly interested in the corporate sector as a source of funding. This chapter discusses the spectrum of NGDO-business relations with the specific aim of attracting business resources in either money or kind.

Section 2.1 is about NGDO-business relations in which NGDOs act as charitable causes in order to gain access to corporate funding. Currently, the majority of the financial relations between NGDOs and business assume this form. Section 2.2 discusses a new and completely different strategy NGDOs use to obtain business funding, in which NGDOs act as (paid) consultant for companies.

2.1 Funding relationships

The findings from this study demonstrate that in the last few years NGDOs have become much more interested in the business sector as a source of funding. NGDO-representatives interviewed for this study linked the NGDO-interest in corporate giving mainly to the recent rise of Corporate Social Responsibility (CSR). Through CSR and the hype it created, NGDOs have ‘discovered’ companies as a potential source of funding. Another explanation for the NGDOs’ current interest in corporate funding is given by SustainAbility (2003). They argue that due to cutbacks in governmental support NGDOs have been forced to tap into alternative sources of funding, including business.

In the Netherlands corporate funding has clearly become more important to NGDOs. Out of the 35 NGDOs surveyed, almost two-thirds (22) currently receive resources in either money or kind from the corporate sector. Of these 22 NGDOs, two-thirds has witnessed an increase in the number of their funding relations with business in the past few years. Most of these NGDOs expect that a further increase in the number of funding relations in the future.

Since NGDOs have become interested in business as a source of funding, many of them have started to develop new fund raising strategies in relation to the private sector. Whereas corporate fund-raising by NGDOs in the past was mostly passive, they are currently adopting more proactive and strategic approaches. A look at the homepages and brochures of NGDOs in the Netherlands shows that many of them are currently putting much effort in presenting themselves as an attractive option for corporate giving. In the period in which the research for this report was conducted and the report was written, for example, various Dutch NGDOs initiated new corporate fundraising initiatives.

Corporate funding appears to be the most important for smaller NGDOs with fewer than 20 employees. On average, these NGDOs obtain between three and 10 percent of their annual turnover via corporate fund-raising. Woord & Daad for instance had an annual turnover of €14.6 million in 2002 and a staff the size of 15, and obtained roughly seven percent of that year’s turnover through corporate funding. For the larger NGDOs with 20 or more employees, the percentages varied between less than one and three percent. With an annual turnover of €150 million in 2002 and a staff size of 300, for example, Oxfam Netherlands (Novib),
attained less than one percent through corporate fund-raising (see Appendix 1 for a complete overview).

Not only have NGDOs taken an interest in the corporate sector as a source of funding, study results also suggest also that companies have become more interested in NGDOs as a ‘charitable cause’. The reasons why companies engage in funding relations with NGDOs (set aside relations in which NGDO provide consultancy services, which are discussed below) are typically those that are associated with corporate reasons to practice CSR. In short these include improving the corporate image, creating new marketing opportunities & improving sales, enhancing employee morale and company loyalty and meeting the call for responsible entrepreneurship. Of course there are always companies that support NGDOs because of religious beliefs or other altruistic convictions.

Companies often choose to fund ‘good causes’ that are related to their own core business. A pharmaceutical company is therefore likely to support causes related to health care. Corporate giving may also favor ‘attractive’ charities, particularly those with a sentimental appeal such as child-aid related NGDOs (Heap 2000). For reasons of the same nature some NGDOs are not likely to benefit much from corporate giving. The director of the Lepra Stichting (Leprosy Foundation) points out that his organisation hardly receives corporate donations because leprosy does not have a ‘pleasant image’. Companies simply do not want to be associated with leprosy (telephonic communication 20-5-03).

Corporate giving can be either in cash or in kind. In kind contributions can consist of goods and/or services. When a company moves into new offices for example, it may donate its used desks, cabinets and computers. The furnishing of the Warchild head office in Amsterdam has been completely donated by companies (personal communication Head Marketing & Communication of Warchild, 18-8-03). Companies might also decide to make employees available to function as volunteers in NGDO-activities.

Types of funding
An important distinction in corporate giving is that between gifts and sponsoring. While gifts are donated without a contractual enforceable remuneration, sponsoring is. In the Netherlands this difference is especially important because sponsoring is tax-deductible while gifts are not. According to Schuijt (2003), corporate giving to charitable causes has become much more strategic in the past decade. This means that sponsoring is becoming increasingly prevalent. From the corporate perspective, sponsoring is strategic because it draws a direct link between a company’s name and a charitable cause. A popular sponsoring arrangement is one in which companies pay to have their name associated with a particular NGDO-project. Various Dutch NGDOs that participated in this study offer companies the possibility to ‘adopt’ development projects.

A specific kind of sponsoring arrangement is licensing. Licensing arrangements are those in which companies pay to put the NGDO’s name and/or logo on their products. Through sponsoring, companies obtain the right to publicly communicate the fact that it supports a NGDO. This way, products are associated with the reputation and credibility of the NGDO (Heap 2000, Sumar & Wyner 2001, Hartmann & Stafford 1997). Whereas various examples of licensing can be found in the environmental field, the survey shows that it is fairly rare amongst NGDOs in the Netherlands. Only four of them claimed to be involved in some kind of licensing arrangement.
Sponsoring is obviously less attractive to NGDOs than gifts are. First of all, sponsoring means that money is ‘earmarked’ for specific projects or activities, which is inherent to a degree of inflexibility. Secondly, from the NGDO’s point of view, sponsoring is quite time and resource consuming. If a company wants to support a specific project, this usually means that the NGDO has to identify a ‘suitable’ project first. This is normally a project that is related to a company’s core business. After that, the NGDO in most cases agrees to regularly inform the company concerned about the progress of the project they have adopted (e.g. in the form of progress reports and pictures). In some cases, the NGDO even arranges overseas visits for the staff of the sponsoring company.

Sometimes funding relations (particularly sponsorships) evolve to more partnerships with development objectives (see Chapter 4). From several interviews the impression emerged that corporations increasingly want to control the way their money is spent. For some companies this means that they seek ‘real’ involvement in the NGDO’s activities. Oxfam Netherlands (Novib) for example, has clearly noticed this trend. The CSR Policy Advisor of Novib points out that within the last few years, a growing number of companies has approached Novib with the offer to start a partnership. In many cases, offers for cooperation come from companies that already have a funding relationship with Novib, but which want to do something more (personal communication 4-6-03).

Success factors in corporate fundraising

In both the survey and the interviews, NGDO-representatives stressed the importance of approaching companies at the highest level possible when trying to tap into new sources or corporate funding. A fundraiser of the Liliane Foundation points out that approaching companies at a lower level is often less successful and more time-consuming. Lower staff always has to ask permission first from higher-level management, possibly leading to vaporization of initial enthusiasm. Furthermore, it is quite possible that the manager concerned has already been approached by other good causes. Once top leaders of a company are interested, success is mostly guaranteed. Finally, in some cases it is possible to make use of the networks of corporate leaders to get access to new corporate sponsors (personal communication 6-7-03).

The Head of Marketing and Communication of War Child explains that his organisation always asks companies to do ‘what they are best in’. In his experience, companies are mostly more enthusiastic when you appeal to their core business. Thus in the case of a company which sells computers, War Child would ask for a free computer instead of money. For a company this approach is often attractive because the sales worth of the products it may decide donate is obviously much higher than the production costs or purchase price of these products. In other words, by donating their products companies can donate more for less money. Especially companies that sell large and expensive products (e.g., computers, furniture, cars) are well-suitable to using this approach (personal communication 18-8-03).

Furthermore, NGDOs stress the importance of creating and communicating win-win situations when approaching companies. The general idea is that NGDOs are more likely to benefit from companies, if companies are able to benefit from NGDOs. In addition, win-win situations are generally regarded as the building blocks of long-term relationships. This is important because a few long-lasting financial relationships are much more interesting (and financially rewarding) than many short-lived ones.
Criteria for corporate fundraising

NGDOs that uncritically accept corporate resources may be confronted with unwelcome situations if (one of) their corporate benefactor(s) appears to violate social or environmental standards. The majority of the Dutch NGDOs surveyed that receive funding from the private sector (19 out of 22) claims to use certain criteria for assessing whether or not to accept corporate funding. In general, most NGDOs state that they do not accept funding from companies whose activities are – either directly or indirectly – conflictive to their objectives or values.

There appeared to be quite some differences in the actual criteria used by the different NGDOs. Some use a set of broad guiding principles, while others used a detailed list of criteria. In general, it turned out that ethical criteria used to screen corporate giving can be divided into two main categories. The first one relates to companies’ track record on responsible business behavior, while the second refers to the specific sector(s) in which a company is active. With regard to the first area, various NGDOs stated that they would not accept funding from companies with a “tainted” image. Specific practices named in this respect were:

- Exploitation of labour;
- Human rights abuses;
- Child labour;
- Environmental pollution.

With regard to the sector in which companies are active, (some) NGDOs stated to refuse funding from corporations involved in:

- the production of arms;
- the production of tobacco;
- the production of breast-milk substitutes;
- the production of nuclear energy;
- genetic manipulation;
- the production of high-priced medicines;
- the bio-industry;
- the sex industry;
- the agri-food sector.

For most NGDOs however, the lack of capacity makes it impossible to screen all corporate donations. The Head Marketing & Communication of War Child points out that his organisation simply lacks the capacity to do so. Therefore, War Child has an agreement with both Amnesty and Doctors Without Borders − which have more expertise and capacity regarding various companies’ track records on social and environmental issues − to ask for advice when confronted with potentially dubious corporate sponsors (personal communication Head Marketing & Communication of War Child, 18-8-03).
Heap (2000) adds an internal problem, which is that some NGDO staff may feel uncomfortable with the commercial marketing of their organization’s name or logo. He warns against internal tensions between departments, particularly fundraising and campaigns, that could arise.

Corporate fundraising can also be problematic because of reasons related to the NGDO’s image. Close financial ties with business can affect the NGDO’s (perceived) independent status and objectivity (Hutchinson 2000). The argument is that by accepting corporate resources, NGDOs are less likely to question the activities of their donors. Some NGDOs therefore choose not to raise funds from the corporate sector on the grounds that accepting corporate money would compromise their independence and, thus, their ability to operate as a watchdog (Heap 2000).

Similarly, some NGDOs are highly critical towards accepting corporate funding because they feel that companies only use their charitable giving to gain an ethical image while they continue their (unsustainable) operations as usual (Wilson 2002). Of the NGDOs surveyed, for instance, roughly a quarter is critical towards other NGDOs with financial relations with business. Not surprisingly, nearly all the NGDOs that are critical towards accepting corporate funding are those with a track record of business campaigning.

2.2 Consultancy relationships
Besides acting as a charitable cause, NGDOs can also choose to offer consultancy services to companies as a strategy for receiving corporate funding. While NGDOs are known to carry out consultancy services for international donor agencies (Hutchinson 2000), the idea of NGDOs offering their consultancy services to companies seems to be a fairly new phenomenon. Of the 35 Dutch NGDOs surveyed for this study, five have provided such services to companies in recent years. While the number of NGDOs active as consultants for business is currently quite limited, almost three quarter of the NGDOs surveyed expects that consultancy relations with companies will become more common in the future.

The five NGDOs in the survey that acted as consultants all played advisory

Box 2.1 Potential problems in corporate fundraising

In this survey NGDOs mentioned various problems when they are raising funds from the private sector. These problems include:

- The lack of a strong NGDO brand. Most companies prefer giving to more well-known causes;
- The lack of general insight into the possibilities of fund-raising in the private sector;
- Fear that companies might abuse the NGDO’s good name;
- Shaping the funding relationships in such ways that both parties sufficiently benefit from one other (i.e., creating win-win situations);
- The tendency of most companies to favor one-off grants over longer financial relationships;
- Growing competition from other charities.

Source: survey

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The five NGDOs in the survey that acted as consultants all played advisory
roles. The advice covered issues related to fair trade, certification, codes of conduct and the local context (e.g. providing information about local markets, local infrastructure and potential suppliers). Besides acting as advisors, NGDOs can also work for companies by solving concrete problems. Although such examples were not found amongst the Dutch NGDOs surveyed, Shah (2000) presents a clear example of such an consultancy arrangement. He describes the cooperation between Living Earth (a British NGO) and Shell in Nigeria that took place in the second half of the 1990s.

In this period, the social tensions in the local communities in the areas where Shell worked had worsened to such a degree that they affected the ability of Shell to maintain its operations. Initially, Shell spent huge sums of money on its own community programs which mainly consisted of building classroom blocks, hospitals and water schemes. Yet, these efforts, which later were identified as extremely top-down and ‘blueprint’ oriented, proved to be fruitless. Shell then realized it simply lacked the knowledge and skills for community development. It decided to approach the NGO Living Earth which had experience in this field. This eventually resulted in an arrangement in which Living Earth was paid to design and implement participatory community development programmes.

Shah (2000) warns that NGDOs should be very careful when carrying out development work for companies. Particularly in cases where the company concerned has a track record of irresponsible behavior, there might be the (perceived) danger that the NGDOs is (ab)used for PR-related reasons. Furthermore, because the NGO accepts money for its services, there is the risk that it is perceived as selling out its principles (Shah 2000). Another point about consultancy relations concerns the perceptions both parties might have concerning such an arrangement. To prevent problems, it should be clear from the beginning how both parties see their relationship. Do they see it as a contractor/sub-contractor relationship, or do they see it as a ‘genuine’ partnership? Shah’s research showed that one of the reasons why the relationship between Living Earth and Shell was problematic was because Shell regarded Living Earth merely as a sub-contractor, while Living Earth sought a deeper partnership.
3. NGOs as civil regulators

Oxfam Netherlands [Novib] has recently embraced CSR as a major focus of its activities. The choice to do so has stemmed from the observation that business has come to play a more important role in society, which also implies an increased degree of responsibility. Oxfam Netherlands regards it as part of her responsibility to shape this responsibility within the context of a globalizing world (personal communication Manager CSR-unit Novib, 4-6-03).

It has now become generally accepted that NGOs constitute one of the main driving forces behind the current CSR-movement. This chapter examines this development by discussing the different views and strategies of NGOs active in promoting CSR as well as the strengths and weaknesses of these strategies. Firstly, section 2.1 gives a historical overview of the rise of NGO-activities in this field. Subsequently, section 2.2 discusses the various perspectives NGOs share regarding CSR and their roles. Section 2.3 and 2.4 elaborate on both the antagonistic and cooperative NGO-strategies which are used to promote CSR. Section 2.5 specifically discusses the role codes of conducts play in these strategies. Finally, their limitations and weaknesses are discussed in section 2.6.

3.1 The rise of civil regulation

Historically, the one-sided focus of companies on objectives such as market share and profitability has been accompanied by a disregard of social and environmental considerations. Much of business’ operations – particularly in developing countries - consisted of investment, production and marketing strategies that directly resulted in extensive waste and the degradation of natural resources. Similarly, the concerns of local populations were often ignored. Workers have been forced to work under poor conditions, indigenous people have been threatened by corporate activities, and communities have been affected by pollution (Utting 2000).

Whereas in the 1970s many national governments sought to regulate the activities of corporate activity (but largely failed to do so), the 1980s was a decade characterized by deregulation and increased governmental effort to attract foreign investment (Jenkins 2001). In this period the neo-liberal paradigm became the dominant development approach. This meant that a strong emphasis was placed on monetary economic policies, the increased integration of international markets for goods and finance and the privatisation of state assets. International finance institutions such as the World Bank and the IMF, started to promote export-led growth, the liberalisation of trade and investment regimes, and the privatisation of state enterprises and public services in developing countries (Utting 2002).

The neo-liberal paradigm not only emphasizes the importance of deregulation and trade liberalisation, but also of voluntary initiatives (also called corporate self-regulation). Proponents of voluntary initiatives see these as an alternative to
(international) governmental regulation. They argue that compared to governmental regulation, voluntary approaches are much more pragmatic and innovative. In their view, governmental legislation only reduces the profitability of business opportunities because of compliance-related costs. They argue that mandatory legislation would be a blunt and ineffective tool for achieving social and environmental goals, particularly in developing countries with weak governments (Zadek 2001). The discourse of Corporate Social Responsibility (CSR) that emerged in the mid-1990s underpinned the ethical basis of self-regulatory and voluntary initiatives further (Utting 2003).

Corporate self-regulation, however, soon received a lot of criticism. Up to date, critics argue that corporations continue to behave far more responsibly in the North where legislation is tighter and greater public scrutiny exists. They regard voluntary approaches to be mere public relations or window dressing strategies, symbolized in flashy – and meaningless - social- and environment reports. In their view companies merely adopt codes of conduct in order to head off criticism, presenting a concerned image while ‘business remained as usual’ (Utting 2002). Therefore, watch-dog, advocacy and research-oriented NGOs and trade unions have produced a steady stream of well-documented cases of companies and business & industry associations that failed to practice what they preached.

Critical NGOs point out that corporate activity in developing countries should be subjected to the same standards as those that exist in the North, especially when companies operate in countries where local legislation and supervision of legislation is weak. Additionally, they argue that companies should not invest in developing countries where the government has a questionable human rights and democratic record. If a company still (intends to) invest(s) in such a country, according to these NGOs, it has the responsibility to pressure the government to respect civil rights and to initiate democratic reforms (Moser & Miller 2001).

The NGO-pressure to integrate enhanced social and environmental performance standards in business operations is called ‘civil regulation’. Civil regulation is essentially based upon the notion that the reputation of companies can be damaged (or improved) by civil (NGO) action (Zadek 2001). Throughout the 1990s, the number of NGOs concerned with issues of CSR augmented rapidly (Olliviero & Simmons 2002). Various authors (e.g., SustainAbility 2003, Bendell 2000) currently regard NGOs as the main drivers of the CSR-movement.

Whereas in the past the civil regulation strategies were mostly antagonistic, a more recent development is that NGOs have started partnerships with business to improve their social and environmental performance. In these partnerships, NGOs provide guidance to companies which want to improve their business practices and at the same time they act as independent observers who give credibility to these companies. Cooperative strategies have attracted considerable attention as a possible third way, of surpassing the limitations of governmental regulation, corporate self-regulation and antagonistic civil regulation strategies (section 3.4 further elaborates on this subject) (Utting 2003).

3.2 NGO-perspectives on civil regulation

Thus NGOs are acting increasingly as civil regulators. But what is it exactly they want? In the Netherlands, the CSR-Platform, in which 30 NGOs and two trade unions have been cooperating together with the aim of promoting CSR worldwide, has drafted a so-called ‘CSR Frame of Reference’. In this document, they specify their definition of CSR including the specification of certain standards which corporations – in their opinion – should comply with. Standards discussed
include human rights, labour, environment, consumer protection, health and fighting corruption. The specifications of these standards are largely based on international treaties, guidelines and instruments.

In the CSR Frame of Reference four operational principles of CSR are identified.13

1. Chain management (or subcontracting responsibility);
CSR should be integrated into all of the various aspects and levels of the companies’ operations. A corporation’s social responsibility should cover all of its suppliers, subcontractors, licensees, alliances and anyone serving the company, irrespective of the formal relationship, the nature of the product or service concerned, or the geographic location.

2. Stakeholder involvement;
A readiness to engage in a dialogue with stakeholders is an essential part of CSR. These might be individuals or groups who could affect, or are affected by, corporate actions, decisions, policies, practices or goals. Corporations should address all stakeholders, including workers, suppliers and the local population, including consumers, social organisations and the public authorities.

3. Transparency and reporting;
Companies should be open and transparent about their policies and practices. Stakeholders should be able to obtain sufficient relevant information on the effects of a company’s conduct. The platform sees reporting as an important tool in achieving this.

4. Independent verification.
The quality, use and credibility of a company’s social and environmental reports can only be guaranteed by independent verification. Thus, independent verification is regarded as the starting-point of effective implementation.

NGO-strategies in promoting CSR vary from antagonistic to cooperative (see figure 3.1). Additionally, strategies may change over time and they can consist of a combination of both antagonistic and cooperative strategies (Heap 2000: 18).

Figure 3.1 NGDO strategies in promoting CSR

<table>
<thead>
<tr>
<th>Antagonistic</th>
<th>Neutral / Indirect</th>
<th>Co-operative</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGO chooses a confrontational approach, usually through public campaigns and/or direct action against business</td>
<td>NGO chooses not to target business, but instead focuses on influencing the government for regulation of the private sector</td>
<td>NGO choose to cooperate with business as a strategy in order to influence the corporate policy and practice</td>
</tr>
</tbody>
</table>

Source: adapted from Heap (2000: 18)

As pointed out in Chapter 1, different NGOs choose different strategies. NGOs that are highly sceptical towards the potential contributions (big) business can make to sustainable development are likely to act more antagonistically. While some see no objection in dialogues with companies (as part of antagonistic

13 The points presented below are partially taken and adapted from CSR-Platform (2003).
strategies), others completely reject any form of deliberation. Or as one of the NGOs stated in the survey: ‘Companies lie and cheat. Their talk only serves their profits, not the truth.’ Such NGOs regard co-operative relations as ‘sleeping with the enemy’, arguing that (other) NGOs can do much damage by helping irresponsible behaving companies to appear better than they are (Wilson 2002; Rowel 2002).

Some NGOs, although interested in promoting CSR, choose to refrain from direct business engagement (both antagonistically as well as cooperatively). These NGOs argue that only governments have the (democratic) legitimacy and power to effectively regulate business (Bendell 2000b). NGOs with such views are likely to promote responsible business behaviour by pressuring the government (the ‘neutral’ approach as presented in figure 2.1).

A Dutch NGDO with such a view is ‘Both Ends’. Both Ends feels that it is the principal role of government to set the regulatory rules for business, not the role of NGOs. The director of Both Ends argues that in the end, NGOs do not have the same power as governments. In his view NGOs do not have authority over the use of force and do not have the ability to impose fines or penalties. Once NGOs become involved in the regulation of business, they do not only take over the government’s role, but they also legitimize the refusal of the government to establish regulation. Therefore, Both Ends’ viewpoint is that NGOs should not waste time and resources by employing direct business engagement, but that instead they should focus their attention on the government (personal communication Director Both Ends, 2-7-03).

However, most NGOs which are concerned with promoting CSR take the view that the unwillingness of the government to intervene leaves them no other choice but to engage business directly. As such, civil regulation is seen as a second-best option as long as binding (international) legislation is lacking. The spokesman for the Dutch CSR-platform emphasizes that promoting responsible business behavior on the one hand through direct engagement and targeting the government on the other do not rule each other out. The CSR-platform, for instance, consequently keeps exerting pressure on the government to take measures, while many of its members pursue antagonistic business engagement strategies (personal communication 28-6-03). Box 3.1 below provides an overview of NGO-perspectives in regard to the role the government should play in promoting responsible business behavior.
3.3 Antagonistic strategies

The NGO-activities aimed at promoting responsible business behavior often take the form of public campaigns. Such campaigns are usually aimed at ending corporate malpractices by raising awareness and mobilizing consumers (CCIC 2000b). In most cases, they work by attracting the attention of the media and challenging the reputation and credibility of a corporation. Although NGOs usually have less money to spend on public relations than companies do, they often enjoy far greater public credibility. This means that they can often “punch above their weight in public debates” (Heap 2000: 24).

Antagonistic strategies can represent a major threat to companies since they do not only have the potential to affect immediate sales, but they can also influence brand loyalty and consumer choice long after the campaign has ended. In some cases, the mere threat of a widespread media campaign can induce corporate change or reverse controversial plans. A study on the outcomes of NGO
campaigning in the Netherlands by Van Tilburg (2002) clearly shows the leverage of antagonistic strategies. Van Tilburg assessed 17 cases of which, according to him, three quarters was eventually "won" by the NGO. Not surprisingly, Van Tilburg's study concluded that companies should take the actions of NGOs very seriously (Van Tilburg 2002: 5-6).

Some of the better-known antagonistic strategies used by NGOs are:

- **Consumer boycotts.** NGOs can evoke consumer boycotts of products related to companies whose operations have been identified as being unjust and unethical. Boycotts of consumer products from companies such as Levi Strauss and Pepsi, because of their operation in Burma, were successful in persuading them to withdraw from the country (Bendell 2000b: 243).
- **Direct action.** Direct actions vary widely ranging from postcard or e-mail campaigns in which NGO supporters and the public are encouraged to send postcards or e-mails to company directors to demonstrations at corporate offices. Direct action can be very successful in attracting the attention of the media (Heap 2000: 40).
- **Shareholder annual meetings.** Holding shares in a company is another strategy used by campaigning NGOs. Corporations' main responsibilities are to their shareholders. NGOs can use shares to influence companies by mobilising shareholders to raise social and environmental concerns at company shareholder annual meetings (Heap 2000: 36).
- **Legal action.** NGOs can file lawsuits to hold corporations accountable for their social and environmental malpractices. While the legal route – either by national or international law - can be costly and time-consuming, both the process and the outcomes have been successful in holding companies accountable for their malpractices (Heap, 2000: 40 Oliviero & Simmons 2002: 85).
- **Publication of critical research or documentaries.** The publication of critical research or documentaries by NGOs can be a powerful tool for creating public awareness and putting pressure on companies. Part of the campaign of the Dutch Coffee Coalition, for example, consisted of a documentary about the poor labour conditions on coffee plantations in Guatemala.14

In the Netherlands, many NGDOs have antagonistic relationships with corporations. More than half of the 35 NGDOs surveyed for this study are involved in such relations (see Appendix 1). The sectors in which the Dutch NGDOs are the most active are the coffee, garment and sportswear, oil and diamond industries. In the Netherlands, NGDOs often work together on their campaigns in order to create more momentum and generate a bigger impact. An example of such an alliance is the Coffee Coalition, which aims to improve the living and labour conditions on coffee plantations.15

When addressing corporate malpractices, northern NGDOs often work together with their southern partners. In such alliances, both sides assume different roles. The southern NGDOs normally assess the problem at the local level and

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14 Note that in a sense, NGDOs that are involved in promoting fair trade can also be regarded as antagonistic as they advertise themselves as ethically preferable to mainstream companies and compete with them for a market share (Bendell 2000b: 244).

15 Sometimes NGO alliances have an explicit international character. One example is the current Fatal Transactions Campaign, in which NGOs from various countries participate. This campaign seeks to prevent that trade in raw materials (e.g., diamonds, oil) contributes to conflicts in Africa.
carry out discussions with the local parties involved. The northern NGDOs take care of the (international) media attention and pressures the (mother) company involved.\textsuperscript{16} The coordinator of the India Committee Netherlands emphasizes that having a reliable and committed local partner is crucial for the success of business campaigning. Once a (northern) NGDO goes public, it is crucial it has a solid supply of overseas information (personal communication coordinator India Committee Netherlands 25-8-03).\textsuperscript{17}

Corporate responses to antagonistic strategies

Companies can respond to business campaigns in several ways. Most large companies – since they run the risk of having their reputations damaged and suffering financially – eventually do engage in dialogue with a campaigning NGO. Dialogues represent both opportunities and threats for NGOs. On the one hand, they can form the starting-point of a process in which core business practices is changed for the better. On the other hand, corporations could use the dialogue as a method for absorbing the time and resources of NGOs without the intention of changing their behaviour. Therefore, NGOs should always be conscious of the amount of time and effort they invest in dialogues. Furthermore, in dialogue there is always the (perceived) danger of cooptation (CCIC 2000b).

A strategy that is regularly used by companies when targeted by campaigning NGOs, is that of creating ambiguity and vagueness about their legal identity. By using – or referring to - complex and confusing corporate structures companies can try to distance themselves from their local operating subsidiaries (IRENE 2000: 5). According to the coordinator of the India Committee of the Netherlands, the retailer multinational Unilever recently used this strategy when it was confronted by a coalition of Dutch NGDOs (including the India Committee Netherlands) with evidence of the use of child labor by one of its Indian subsidiaries. For a long time, Unilever simply stated that it had nothing to do with the case because its majority owned subsidiary (Hindustan Lever) was not responsible for its suppliers. These suppliers were thousands of farmers with which the company had an outsourcing relation via its agents (personal communication 25-8-03).

Another strategy used by companies when accused of malpractices, is referring to charitable initiatives who ‘show’ that they practice CSR. In response to the allegations of the Coffee Coalition regarding the poor working conditions on coffee plantations, for instance, the coffee company ‘Douwe Egberts’ currently refers to its development projects which are aimed at supporting coffee producers. The Coffee Coalition however points out that these projects are totally unrelated to Douwe Egberts’ core business practices. As such, it regards these projects as simple acts of charity which in themselves have nothing to do with CSR (see also Chapter 4) (Coffee Coalition 2004).

\textsuperscript{16} Note that the increased effectiveness and decreased cost of information technology (especially e-mail and the internet) associated with globalisation has further facilitated alliances of northern and southern NGDOs (Fabig & Boele 1999).

\textsuperscript{17} The North-South link is furthermore crucial because the available evidence shows that multinationals are far more likely to care about the concerns of northern NGOs than those raised by southern organizations. Research by Weijzig (2004) shows that corporate policies issued from the head-office – and not the efforts of local NGOs – have been the main driving force behind the CSR initiatives of multinationals in Mexico. Therefore, Weijzig’s research suggests that approaching the corporate headquarters (in the North) is the most effective strategy to get companies to change their practices.
Problems and limitations
Although campaigning can be an effective method to get companies to stop certain practices, it is a strategy that is not without problems. The NGDOs that participated in this study mentioned the following problematic aspects in their antagonistic relationships with corporations:

- Lack of willingness on the part of corporations to engage in a dialogue (also with southern partners);
- The tendency of companies to stall during dialogues;
- Measuring the impact of a dialogue. How do you know if a dialogue will actually lead to changes in corporate behaviour, or whether the company has no intention of changing its practices?
- Engaging in a dialogue in a constructive way aimed at finding solutions;
- Lack of sufficiently detailed information about corporate malpractices;
- Lack of resources (particularly compared to companies);
- The tendency of companies to make false claims and statements that confuse the public opinion;
- Implications for financial relationships (see also Chapter 2);
- Mobilizing public interest in regard to ‘stable’ corporate malpractices (such as those in the coffee-industry) which are hard to qualify as ‘news’;

One problem, which specifically relates to the final point mentioned above, is the high dependency of antagonistic strategies on the media. In order to generate a powerful public response, their message should be simple and clear. This is often problematic since many issues, because of their complexity are hard to communicate in one-liners. Furthermore, the media are not always reliable because their short-term character and need to provide the latest news (IRENE 2000: 13).

Another major weakness of most antagonistic strategies is that their orientation is quite negative. Campaigning NGOs often state clearly what they oppose, but they usually are less forthcoming in terms of formulating an alternative (SustainAbility 2003). Moreover, there have been cases in which antagonistic campaigns have actually resulted in negative effects for the very people who they tried to help. Several campaigns against child labour, for instance, have been known to result in short-term corporate responses that actually worsened the situation of child labourers (Oliviero & Simmons 2002).

Some authors argue that in order to make antagonistic strategies more effective, the drivers of business behavior need to be targeted and not business itself. According to SustainAbility (2003: 22) these can be company employees (current and prospective), investors, suppliers and boards. Bendell & Lake (2000: 234) specifically regard institutional investors (e.g., pension funds, insurance companies) as the real drivers of business. According to them,

‘The scope for a manager to undertake social and environmental initiatives is fundamentally restricted unless the financial community starts giving different signals to companies from its traditional mantra – thou must maximize profit, increase market share and control emerging categories.’

Bendell & Lake argue that NGOs need to become more literate in regard to the economics behind the activities they try to stop. As such, they point out that NGOs should aim their activities at investment houses which do not have ethical policies instead.
3.4 Cooperative relationships

In order to overcome some of the problematic aspects and limitations of antagonistic strategies within the last few years, a growing number of NGOs has become involved in promoting responsible business behavior through partnerships. For some companies such partnerships can be interesting because the protection of brand-image and company reputation has become an important managerial concern. Engaging in partnerships can be a means to curtail negative publicity. Companies can also participate in partnerships as a means of reducing the threat of binding governmental regulation, or of distinguishing themselves from competitors (personal communication Director Fair Wear Foundation 3-6-03, Utting 2000: 22).

Partnerships aimed at changing business policy and practice vary from bilateral alliances (with one NGO and company) to those that comprise multiple actors including companies, NGOs, trade unions and (intra) governmental organizations. Partnerships of the latter type are called ‘multi-stakeholder’ initiatives. They currently receive the greater part of attention in both policy and research. Multi-stakeholder initiatives encourage companies to participate in schemes ‘that set social and environmental standards, monitor compliance, promote social and environmental reporting and auditing, certify good practice, and encourage stakeholder dialogue and ‘social learning’ (Utting 2002: 1). In most cases, multi-stakeholder initiatives are based on internationally accepted standards or codes of conduct and target entire sectors such as sportswear or garments (codes of conduct are discussed extensively in section 3.5). NGOs fulfil a crucial role in multi-stakeholder initiatives by endorsing compliance and providing credibility.

From an NGO-perspective, multi-stakeholder initiatives can be valuable as they address one of the most criticised aspects of voluntary initiatives associated with corporate self-regulation: namely, independent monitoring and verification. Multi-stakeholder initiatives in which development NGOs (NGDOs) participate are usually related to the promotion of labour rights in sectors that are characterised by supply chains controlled by western companies, notably garment and sportswear. Some well-known initiatives are the Ethical Trading Initiative, the Global Compact, SA8000 and the Fair Labor Organization (Utting 2002). This research revealed that only a few Dutch NGDOs are engaged in multi-stakeholder initiatives.

An example of a multi-stakeholder initiative in the Netherlands is the Fair Wear Foundation (FWF). The FWF is a joint initiative of NGDOs, trade unions and business associations in the garment sector. It aims to promote humane labour conditions in the worldwide garment industry, particularly in low-wage countries where garments for the Dutch market are produced. The main tool used by the FWF is a code of conduct for Dutch garment companies. FWF member companies accept this code, known as the Fair Wear Code of Labour Practices. The FWF (through local partner organizations and trade unions) verifies whether or not labour conditions of these companies’ suppliers actually meet the required standards or whether they are moving in that direction (personal communication director Fair Wear Foundation 3-6-03).

Partnerships which have the specific aim of changing the corporate policy and practice can also take the form of bilateral partnerships. Such partnerships can consist of ‘negotiating agreements with corporate management, advising companies on best practice, endorsing or promoting best practice (thereby supporting ethical consumerism and investment), conducting and publishing helpful research, or jointly developing new products or techniques’ (Bendell 2000b: 244).
Such partnerships seem to be largely restricted to the environmental field, however. The extensive literature survey that was carried out for this study came up with a significant number of well-documented cases of bilateral partnerships related to environmental issues (see, for instance, Hartmann & Stafford 1997), whereas none such cases could be found in the field of international development. In addition, the survey that was carried out for this study also revealed that no such partnerships exists amongst Dutch NGDOs.18

Cooperative and antagonistic strategies do not exclude each other. Sometimes NGOs pursue both strategies simultaneously. On the one hand NGOs try to force companies to change, while on the other hand they work with companies to develop codes of conduct and monitor and verify its implementation (Oliviero & Simmons 2002: 82-83). In the Netherlands, a clear example of such an NGO is the Clean Clothes Campaign (CCC). Although the CCC has a long history of business campaigning, it is also involved in the Fair Wear Foundation.

In the literature, it is suggested that change usually occurs when there are effective groups working on both sides of the barricades.19 What is important is that the antagonistic NGOs (the ‘shock troops of civil society’) reflect a message of urgency (SustainAbility 2003). The potential threat of direct action and reputational damage can keep corporations at the negotiating table with co-operative NGOs at times when discussions otherwise would have broken down. Thus, antagonistic NGOs can create the space for others to engage cooperatively with business. As such, Henderson (2000) argues that it is essential that both antagonistic and cooperative NGOs recognize and respect the legitimacy of the other’s position.20

3.5 NGOs and codes of conduct

In the debate concerning the role of NGOs in promoting responsible business behavior, codes of conduct are of major importance. Besides being a tool for corporate self-regulation, codes of conduct are the main instrument that NGOs (including trade unions) use to promote responsible business behavior. Codes form the starting-point of multi-stakeholder initiatives and are often used as a point of reference in antagonistic campaigning. Utting (2002) argues that the formulation and promotion of codes of conducts has perhaps been the most common NGO strategy aimed at making multinationals more accountable. This section provides some background information on codes and their role in creating NGO-strategies which are aimed at promoting CSR.

The 1990s witnessed an enormous growth in the number of corporate codes of conduct. A code of conduct can be defined as:

"a written policy or statement of principles, intended to serve as the basis for commitment or particular enterprise conduct" (CREM 2000).

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18 The bilateral NGDO-business partnerships that were encountered in the Netherlands were all aimed at promoting development initiatives. These partnerships are not specifically aimed at changing the corporate policy and practice and are therefore discussed in the next chapter.

19 Although few empirical studies have been carried out that substantiate this thesis.

20 Oliviero & Simmons (2002) suggest that relations between antagonistic and co-operative NGOs sometimes can be problematic. They argue that antagonistic NGOs can dismiss co-operative NGOs as sell-outs that are “prostituting” the NGO-cause, while NGOs of the latter kind stress that more results can be reached through cooperation. This research revealed that amongst NGDOs in the Netherlands such extreme views can hardly be found (see Appendix 1).
Companies use codes of conduct as a form of self-regulation. As such, ‘codes are paradoxical: they are devised by companies, yet used to temper the power of companies in relation to their dealings with employees’ (Heap 2000: 103).

A variety of codes exist. Jenkins (2001: 20) provides a classification of codes of conduct and identifies the following types:

- **Company codes**
  These are adopted one-sidedly by companies. They can relate to their own operations, or specifically to suppliers (sub-contractors).

- **Trade association codes**
  These are adopted by a group of firms in a particular industry and like company codes, they tend to be a unilateral measure adopted by firms.

- **Multi-stakeholder codes**
  These form the outcome of negotiations between several stakeholders, including NGOs and or trade unions and companies. With some multi-stakeholder codes, multilateral organizations (UN) or national governments are also involved.

- **Model codes**
  These are designed to provide a standard of what a particular organization (often a NGO) regards as good practice in terms of codes of conduct. They are generally not applied in practice, but intended as a model which companies or trade association can follow.

- **Inter-governmental codes**
  These are negotiated at an international level and are agreed to by national governments.

Codes of conduct vary from vague declarations of business principles, to more concrete and substantial attempts at corporate (self) regulation. They mainly focus on the impact of multinationals in two main areas: labor conditions and the environment. The specific content of codes can vary considerably, depending on the nature of the industry concerned. The areas in which codes of conduct are most apparent are labor standards in the supply chains of northern companies and community and environmental issues in relation to the extractive industries (Zadek 1999).21

The growth of global ‘commodity’ or ‘supply’ chains in many industries during the past decade, which is one of the results of economic globalization, has played a major role in the rise in codes of conduct. Supply chains are characterized by the ability of northern (multinational) corporations to control production over long distances without exercising actual ownership. With global supply chains, the buyer (the northern company) normally can enforce suppliers (local companies) to meet delivery dates, quality standards and design specifications. Various consumer goods, such as garments, footwear, toys and agricultural products are currently associated with supply chains (Jenkins 2001: 7).

Through supply chains northern companies have the power to pressure their suppliers to guarantee decent working conditions. The principal reasoning behind codes of conduct is therefore that northern companies should assume responsibility for the working conditions in the factories of their suppliers. Despite codes’ limitations (which are discussed later), the general acceptance of supply chain

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21 Development NGOs mainly work with the codes of conduct that are related to labor conditions in global supply chains. As such, the focus of this section is on such codes.
responsibility in the 1990s in most industries has been one of the recent break-throughs in the field of CSR. The acceptance of supply chain responsibility has resulted in a growing interest in ethical trade in which codes of conduct play a major role (see box 3.2).

**Box 3.2 Ethical trade & fair trade**

The current NGDO-interest in the promotion of codes of conduct and certification of responsibly products can be looked at within the context of a growing interest in ethical trade. Ethical trade is a broad-encompassing term which applies to various (NGO-)initiatives in which companies take responsibility to work with their suppliers in order to implement codes of conduct which include internationally accepted labour standards in the workplace. Ethical trade aims at improving the working conditions of workers already involved in producing goods for “mainstream” companies and/or their subcontractors (Heap 2000: 104, ETI 2004).

There has been some confusion about the differences between ethical trade and fair trade. Although both aim to improve the incomes and working conditions of people in developing countries, they differ considerably. Fair trade targets disadvantaged communities and enables them to become involved in international trade. Fair trade opposes the rules of the laissez faire economy, and ensures that small producers are paid a decent price that covers the costs of production. Normally, this means that prices paid are higher than those on the world market. Thus, the focus of fair trade is mainly on the trade relationship, not the conditions of production. Ethical trade on the other hand does not question the neo-liberal economic system. It works in the mainstream economy and works with mainstream companies. Ethical trade is mainly concerned with the conditions of production and is therefore mainly about labor rights (Blowfield 1999).

The rise of the ethical trade concept also resulted in a debate whether ethical trade and fair trade are potentially complementary or damaging (Heap 2000). In the Netherlands, for example, there has been a heated discussion surrounding the launch of Utz Kapeh, which is a programme for mainstream certified responsible coffee (which can be seen as an ethical trade initiative). Utz Kapeh, which means “good coffee” in a Mayan language, was officially launched in December 2003 and is based on a code of conduct for the coffee-industry. Although it does not offer coffee producers the same price as under fair trade conditions, its price is better than under ‘normal’ conditions. The supermarket Albert Heijn was the first company to embrace Utz Kapeh, and has put the Utz Kapeh logo on its ‘Perla’ coffee brand (Coffee Coalition 2004).

Max Havelaar, well-known for its fair trade coffee, is highly critical of Utz Kapeh. It claims that Utz Kapeh does not pay a fair price to coffee producers and fears that consumers will not understand the difference between Utz Kapeh and Max Havelaar coffee. Hence, Max Havelaar is afraid that it will lose part of its market-share and that coffee producers will be harmed. A representative of the ‘Sustainable Economy and Fair Trade’ unit of Solidaridad, an NGDO which is involved in the Utz Kapeh initiative, however, points out that Solidaridad’s decision to support Utz Kapeh has been well-thought out. Solidarid recognizes that the Utz Kapeh trading conditions are less beneficial to producers than those that come with fair trade. On the other hand, Solidarid argues that Utz Kapeh has the potential to overcome the major limitation of fair trade, which is its limited volume. After almost 20 years, the degree of market penetration of fair trade coffee is still less than three percent. Utz Kapeh on the other hand, already at its launch had a volume-level which is many times higher than that of fair trade coffee. Because of its large scale, Solidarid expects Utz Kapeh to have a major impact on coffee producers in developing countries (personal communication 26-8-03).
While working with codes of conduct, NGOs can assume different roles. Leipziger (1997, in Heap 2000) provides a number of potential roles that NGOs (both northern and southern) can play in relation to codes of conduct, including that of:

**Watchdog:** to identify key issues and concerns in overall working conditions.

**Auditor:** to form part of a team auditing a company's code of conduct.

**Clearing house and surveillance:** observing conditions throughout the year and reporting problems to buying companies.

**Remediation:** providing support for those that are negatively affected by changes in working conditions (e.g. child laborers that have been removed from employment).

**Training:** of auditors on local conditions and legislation.

In general, NGOs working with codes of conduct point out that codes are only meaningful if they encompass clear methods of implementation and supervision. Companies are often reluctant to accept codes that include provision for independent external monitoring. Various studies have shown that less than ten percent of the codes include forms of independent monitoring (Jenkins 2001: 25). As such, the impact of codes of conduct up to date should not be overstated. Furthermore, various critics argue that some of the initiatives that claim to include independent monitoring in practice are not really independent because their auditing is done by commercial companies.

The Clean Clothes Campaign (CCC) for this reason is highly critical towards the SA8000, a multi-stakeholder initiative in the garment-sector that works with commercial auditors. The CCC argues that it is naïve to expect that commercial auditing is really independent. Furthermore, the CCC points out that commercial auditing is often of a much lower quality than the auditing performed by local NGOs or trade unions. Therefore, the CCC regards local trade union or NGO involvement as essential for credible monitoring (personal communication representative CCC, 26-6-03).

### 3.6 Weaknesses and limitations of civil regulation

Is civil regulation the panacea for realising responsible business behaviour? Unfortunately, the available evidence shows that civil regulation suffers from various (fundamental) weaknesses and limitations. Perhaps one of its major weaknesses is that it can reduce the pressure to have governmental regulation. Civil regulation runs the risk of being seen as a substitute for legislation and binding international agreements. By acting as civil regulators, NGOs in a sense legitimise the government’s refusal to install mandatory regulation. Partnerships can further reduce pressure to have governmental regulation, since they depict business as being ‘self-regulating’ (Zadek 2001).

Another obvious limitation stems from its limited geographical reach. Civil regulation largely depends on the sensitivities of northern markets. It is aimed at northern companies that are active (either directly or indirectly) in developing countries. Despite globalisation, many southern companies are not linked to the global (western) market (Murphy & Bendell 2001). The potential benefits from the codes of conduct enforced by NGOs therefore should not be overstated, as the majority of the workers in developing countries do not work for northern companies. An estimate of the Indian carpet industry, for example, is that about 95 percent of the child workers are employed in the production of domestic markets. Conditions in the domestically oriented industries are normally as poor as, or worse, than those in the export sector (CREM 2000).
Up to date the potential for civil regulation to work in southern societies is limited. Civil regulation is directly related to the spending power of consumers. Since citizens in developing countries have far less to spend, the potential of southern consumer pressure is automatically limited. Furthermore, civil regulation is based on relatively balanced power-relations between the government, private sector and civil society. In most developing countries, the relations between the sectors are completely different. In many developing countries, the ability to organize, undertake direct action and speak freely is not protected by the government. Without the government to protect civil liberties, civil regulation has limited potential (Bendell & Murphy 2001: 307).

A related issue is that the current CSR-debate is clearly driven by northern stakeholders. Various southern NGOs and other critics argue that insufficient space is given to include southern voices (Ward & Fox 2002). Some go as far as describing the current approach to CSR as a form of ethical imperialism. This raises questions related to the legitimacy of northern NGOs that claim to be speaking on behalf of ‘the South’. If NGOs seek greater legitimacy in their efforts to promote responsible business behavior, they should demonstrate greater accountability to southern civil society in the future (Murphy & Bendell 2001: 308).

A more practical restriction of civil regulation is that it only works with large and visible companies with brand names. Moreover, studies have shown that civil regulation only works well with corporations that are dependent on their image and present ‘a way of living’. There are many companies that are not vulnerable to ‘naming and shaming’ strategies, as they are active on the business-to-business market and hence, do not have a direct relationship with consumers (Van Tilburg 2002). As a result, many companies and products fall outside the scope of civil regulation.

There are also limitations that specifically relate to partnerships. One of them is the so-called ‘free-rider’ problem. All companies – also those that do not participate in partnerships - can benefit from the improved image of sectors that have partnerships (Utting 2002). Finally, some authors criticise partnerships on a more fundamental level. They argue that globalisation in its current form cannot be made sustainable and equitable, even if accompanied by the implementation of social and environmental standards. By choosing to work with business NGOs accept and therefore further legitimise the current neo-liberal paradigm while at the same time they undermine challenges made to this model (Zadek 2001).

22 Criticism towards northern NGO-legitimacy also comes from the side of business. NGOs require that companies be transparent and accountable but to what degree do they themselves live up to these demands? Some NGO have taken this matter very seriously. Oxfam Netherlands (Novib), for instance, has devised principles related to the transparency and accountability of its own operations (personal communication CSR Officer Novib 4-6-03).
4. Partnerships for development

In 1996, when Care Netherlands first started its emergency-relief work in war-struck Bosnia, its main objective was to help repair the local infrastructure (e.g., houses), thus enabling refugees to return to their homes. After having worked in Bosnia for several years, Care's housing activities were clearly coming to an end. At the same time, local unemployment remained high and the economy was slow to recover. This created enormous social tension and fanned the fears that a ‘new’ Milosevich might arise. Care's director recalls that it was in this period that he came to realize that a successful transition from emergency aid to structural aid would require local economic development and employment creation. This realization induced Care to review the opportunities to cooperate with Dutch companies and persuade them to work in Bosnia (personal communication 5-3-03).

The story of Care Netherlands represents a broader trend in the NGDO-landscape. Historically, NGDOs often ignored the role of the private sector in development and would focus their activities on social sectors outside the market (see Chapter 1). The NGDO-business relationships that did exist had their origins in either the negative impact of business’ operations in developing countries, or in corporate fund raising (see Chapters 2 and 3). One new phenomenon is that NGDOs have become more and more interested in the positive contribution which businesses can make towards development. As such, NGDOs have started reflecting on how they can work together with companies in order to contribute to development objectives (Heap 2000: 259).

This chapter is about partnerships between NGDOs and businesses that seek to contribute to development objectives. It aims to:

- Provide an overview of the different types of NGDO-business partnerships aimed at promoting development objectives (section 4.1);
- Give an idea of which issues NGDOs should take into account when selecting a suitable corporate partner or project (section 4.2);
- Elaborate on the (cultural) differences between corporations and NGDOs, and their potential consequences for partnering (section 4.3);
- Discuss the factors which seem to determine the success (or failure) of NGDO-business partnerships (section 4.4);
- Provide some critical reflections on NGDO-business partnerships (section 4.5).

4.1 Understanding NGDO-business partnerships

In the last few years, the NGDO-interest in the contribution that businesses can make towards development through partnerships has increased vastly. In the Netherlands, it has reached such a level that one can speak of a true ‘partnership hype’. This hype is not just limited to rhetoric since as 17 out of the 35 NGDOs surveyed claim to have been engaged in one or more partnerships.23 Interestingly, the majority of these partnerships were established after 2000. Most Dutch NGDOs expect that collaboration with business will become an increasingly important development strategy. Of all the NGDOs surveyed, almost three-quarters expect the number of NGDO-business partnerships to increase in the near future (see Appendix 1).

But what do we mean when we refer to partnerships? Various authors point out that partnerships are essentially about win-win relationships in which partners both benefit from each others comparative advantages (Waddell 1997, Samu &

23 Although there are vast differences in the purposes, complexity and content of these partnerships.
Wymer 2001, Brinkerhoff 2002). Although this sounds simple enough, the partnership-concept is currently used by all kinds of actors in various ways, referring to various forms of cooperation with different objectives and types of partners. This results in much confusion regarding the specific content of the concept (Brinkerhoff 2002).\textsuperscript{24} In order to provide clarity, this section starts with a definition of how partnerships are perceived in this chapter:

\begin{quote}
A partnership is a cross-sector alliance in which an NGDO and company on the basis of clearly defined roles agree to work together to undertake a specific development relevant task; share the risks as well as the benefits; and review and revise the relationship regularly.\textsuperscript{25}
\end{quote}

But why should NGDOs and companies be interested in working together? For NGDOs, the obvious reason why such partnerships are potentially interesting, is because they represent a new strategy that can be employed in support of their mission(s). Through partnerships, NGDO can provide certain services to poor target groups (e.g. support in establishing businesses, water, electricity) or create employment and generate income (see more about this below).

Another important reason why partnerships might be interesting for NGDOs is because they can be financially beneficial. By partnering NGDOs can make use of (free) business resources and thus save internal resources which as a result can be employed for other activities. Moreover, various authors (CCIC 2001, Samu & Wymer 2001, Ashman 2001) suggest that the financial benefits of partnerships for NGDOs are becoming increasingly important as NGDO-funding has become tighter during the past decade. As described in Chapter 1, the push for partnerships from development agencies such as the Worldbank, UN and bilateral donors entails new opportunities for NG(D)Os to obtain funds. The Dutch government for instance has recently deployed an initiative in which subsidies are made available for partnerships between businesses, NGDOs and governments.

Partnerships can also result in positive public relations outcomes for NGDOs (Samu & Wymer 2001). Through partnering, NGDOs can gain access to a new audience; the customers of their corporate partners. Oxfam Netherlands (Novib), for instance, has used its partnership with Nuon - which consists of a project in which solar energy is provided to rural communities in Mali - to communicate its cause (and bank account) to Nuon’s clients via Nuon’s quarterly magazine (personal communication CSR Policy Advisor Novib 4-6-03). Finally, by working with the private sector, NGDOs can sensitise and inform business staff about development issues.

From the corporate perspective, there are also a variety of reasons why partnering with a NGDO might be interesting. Corporate motives to partner with an NGDO can be rooted in altruistic (philanthropic) motives, in strategic (commercially-oriented) motives, or in a combination of both. Although a company’s primary motive to cooperate with a NGDO may be “to do the right thing”, a partnership with an NGDO could also result in positive public relations outcomes. Via

\textsuperscript{24} See Brinkerhoff (2002) for an elaborate account on the current confusion regarding the partnership concept and rhetoric.

\textsuperscript{25} This definition is partly based on Zadek’s (1999) definition of cross-sector partnerships, but is specifically tailored to partnerships between NGDOs and businesses that aim to contribute to development objectives.
Partnerships, companies can show their commitment to society, improve their image and satisfy the public demand which requires companies to show responsible entrepreneurship.

Partnerships can also result in new marketing opportunities; companies can use a partnership (and the charitable cause linked to it) as a means of generating brand differentiation and brand loyalty. Furthermore, partnering can generate free and favorable media coverage (Samu & Wymer 2001, Murphy & Bendell 1999). Other business gains are related to an enhanced employee morale and company loyalty. This especially applies to business employees that are sent to developing countries in order to act as advisors or technical experts. In the process, they might feel personally enriched by their experiences, and upon their return, they can make their colleagues enthusiastic (Austin 2000, Ashman 2001).

Two types of partnerships
NGDO-business partnerships for development can assume various forms, consist of different activities and can have different objectives. To gain a better understanding of these partnerships, a typology is proposed here which distinguishes between two partnership types. Note that in contrast to the orientation of this rest of this report, this typology reasons from the perspective of companies:

1. Philanthropic partnerships.
Partnerships are considered philanthropic when they do not directly support the core business of the corporate partner.
2. Strategic partnerships.
Partnerships are considered strategic when they directly support the core business of the corporate partner.

This division is considered to be useful, because it helps to further understand the motives companies might have in becoming involved in certain kinds of partnerships. Furthermore, it should be noted that this division is not meant to be absolute and that some degree of overlap between the two categories is possible.

In the case of a philanthropic partnership a company makes time and resources available to work with an NGDO (and its local partners) without having direct financial benefits. As such, commercial motives do not constitute the main reason why a company chooses to become involved in this partnership (although there may also be indirect strategic benefits). From an NGDO's perspective, the benefits of a philanthropic partnership come primarily from utilizing business resources such as funds, materials and expertise (technical, organizational) to provide certain services to poor target groups.

In the Netherlands, the NGDO Woord & Daad (W&D) in just a few years time has gained a lot of experience with philanthropic partnerships. In April 2002, W&D started its Business Platform. By becoming a platform member, companies automatically become a partner of W&D. The Platform’s main objective is to stimulate economic activities in developing countries by mobilizing technical and organizational knowledge, time (advice, coaching), creativity and material and financial

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26 Note that this division is partly based on the ideas originally presented by Waddell (1997, 1999).
27 Philanthropic partnerships differ from the simpler funding relations (e.g. those based on donations, sponsoring) as discussed in Chapter 2, because companies are genuinely involved in the development and/or implementation of project activities. Results from this study show that many philanthropic partnerships have their origins in, and have evolved from, funding relations.
resources of Dutch entrepreneurs. By the end of 2003, it had reached the number of 50 members (W&D 2004). Box 4.1 provides several examples of the areas in which the Business Platform supports the work of W&D.

### Box 4.1 Areas of Business Platform involvement

W&D’s corporate partners are amongst other activities involved in:

**Establishing job-business centres**

Job & business centres are organisations that mediate between employees and employers. Additionally, people can receive organizational and technical support in order to start their own small businesses including favourable credit options. With support from platform members (expertise and funding), centres have been established in Thailand, India, South Africa, Colombia and the Philippines.

**Providing clean drinking water**

Platform-members participate in a project in Bangladesh that aims to provide clean and safe drinking water through the construction of small-scale water treatment plants. These treatment plants are to operate on a commercial, and thus sustainable, basis and at the same time provide low-cost water. Platform-members are involved in the implementation of the project by means of providing funding and expertise (at both technical and managerial levels).

**Establishing agricultural cooperations**

The business platform is involved in the establishment of an agricultural cooperation in Hyderabad, India. This cooperation aims to improve the economic position of labourers and small landowners by establishing a training centre and helping them to start their own farms. Platform member companies have supported the establishment of the cooperation by providing expertise and credit (W&D 2004).

Strategic partnerships differ from philanthropic partnerships because they are, from the corporate perspective, primarily rooted in strategic (commercial) motives. In contrast to philanthropic partnerships, strategic partnerships directly support or extend the core business of the corporate partner. In most cases, strategic partnerships are of strategic interest to companies because they offer potential business opportunities. For NGDOs the benefits of strategic partnerships are typically related to generating employment and income for poor target groups, for instance local farmers or workers.

In the Netherlands, an example of a strategic partnership is that between SNV and Unilever, an international producer of consumer goods. This partnership aims to extract edible oil from the seeds of the Allanblackia tree, indigenous to West Africa. This oil can be used for the manufacture of products such as soap and

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28 As mentioned earlier, business motives to become engaged in philanthropic partnerships are generally associated with altruistic motives. In the case of W&D, the Christian identity of W&D and its corporate partners plays an important role in this respect. W&D’s corporate partners commitment to the work of W&D comes for an important part from their religious convictions (personal communication Account Manager W&D, 21-5-03).
margarine. In this partnership, which is currently implemented in Ghana and Tanzania, local communities are encouraged to collect the seeds of the Allanblackia tree, which grows in the wild. In addition, SNV strengthens the capacity of its local partner NGOs in order to improve seed collection and advises Unilever on how to achieve the partnership’s development goals. If all goes well, Unilever will benefit commercially from this arrangement (and of course it will gain an improved reputation). Besides, SNV will generate an additional and sustainable source of income for numerous rural, often remote, communities (personal communication, private sector development officer SNV, 21-7-03).

NGDOs seem to be of particular interest to companies because of their capacity to help companies in establishing and maintaining production chains. Many products that originate from developing countries are not produced centrally (at plantations or factories), but are produced by unorganised and often scattered small producers. For western companies, it may be very difficult to establish a reliable trading relationship with these small producers. Here, (local) NGDOs, because of their experience in mobilizing, and working with local communities, can form or become interesting partners. They can organise producers and instruct them on certain issues such as desired quality, quantity and timeliness of production. Moreover, (local) NGDOs can provide training in desired production techniques, processing and packaging.

The added value of NGDOs to companies in the case of strategic partnerships does not only seem to be limited to realizing new business opportunities. Although no actual cases were found in the survey, it seems also well possible that NGDOs can be interesting to companies because of their capacity to protect existing core business activities. A company, for example, that operates in Southern Africa can be hard hit when its local employees become infected with HIV/AIDS. Such a company – with no expertise in the field of HIV/AIDS prevention and treatment – may want to cooperate with a (local) NGDO that has this specific expertise. Furthermore, in various countries of which Nigeria is a perfect example, cooperation with an NGDO is of particular value because people are suspicious towards companies, especially multinationals. Through (local) NGDOs, which tend to be associated with higher levels of local trust, companies can ensure good contact with local communities and can maintain stable operations.

In the Netherlands, it appears that philanthropic partnerships are much more common than strategic ones. Of the 17 NGDOs in the survey that claimed to have (a) partnership(s) with a development objective(s), only four had partnerships that with a degree of certainty could be identified as strategic. These were all partnerships aimed at establishing (sustainable) production chains. Three out of the four NGDOs with strategic partnerships appeared to be large organizations with more than a 100 employees who were active in a wide variety of sectors and countries. NGDOs with philanthropic partnerships, on the other hand, did not share any typical characteristics such as size and mission.

It has been suggested that the fundamental difference between strategic and philanthropic partnerships has implications for their effectiveness (see Ashman

29 Because of reasons of confidentiality most NGDOs were reserved in providing specific information about their partnerships activities. As such, the information gathered in the survey regarding the content of the partnerships remained fairly superficial. NGDOs appeared to be particularly hesitant about communicating the names of the companies with whom they partnered.

30 The fourth NGDO was considerably smaller and its activities were all centered around fair trade.
The plausible, yet largely untested, hypothesis here is that strategic partnerships create relatively greater benefits for the partners than philanthropic partnerships. This is because strategic partnerships are more central to the corporate partner's core business. Therefore, companies involved in strategic partnerships are thought to be more likely to invest significant resources in them. As NGDO-business partnerships are such a new phenomenon and in-depth studies have yet to be carried out, there is currently little empirical evidence that substantiates this hypothesis.31

4.2 Partner and project selection

If an NGDO is interested in partnering, it must decide whether or not the advantage created by collaboration is worth the required investment (in the relationship). When making this decision, at least two interrelated issues come up. The first one is selecting the right partner, and the second is the selection of the right project. With regard to the first issue, the majority (14 out of 17) of the NGDOs surveyed who claimed to have a partnership, stated that they use specific criteria when selecting a corporate partner (see Appendix 1).32 At the same time however, the survey results also show that the actual criteria that most NGDOs use in selecting their partner, are rather general and vague in nature.

An analysis of the survey results and a literature review show that at least the following criteria can be used when selecting a business partner:

- **The potential to add value.** If partnerships are to be win-win arrangements, the benefits clearly need to outweigh the costs (time, effort, resources) of partnering. This requires NGDOs to have a clear idea of the resources and qualities (e.g. skills, contacts) a potential business partner has to offer.
- **Congruency of mission, strategy and values.** In order for partners to be compatible, there needs to be some overlap in mission, strategy and values. Partnerships are not likely to function when partners fundamentally disagree with, or do not respect, (aspects) of the other's objectives, management styles and operating procedures. A certain degree of 'cultural compatibility' is needed (Rondinelli & London 2003). Although NGDOs and companies are fundamentally different (see section 4.3), they should be able to identify areas of current and potential overlap.
- **Commitment.** NGDOs need to determine the level of commitment of their potential corporate partner. This requires that NGDOs assess beforehand whether the commitment to the partnership will be long-term or short-term, and if it is broadly supported throughout the organisation or dependent on only a few individuals. To some degree, commitment is expressed in the amount of expertise and funds made available by the corporate partner. Another indicator of the level of commitment could be the department which is conducting the negotiations. If nego-

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31 Only one study was found in which this hypothesis was tested empirically. However, this study by Ashman (2001) found no relationship between the form of partnership and its impact. More research is needed to further understand the impact of NGDO-business partnerships (both philanthropic and strategic).

32 A total of 18 NGDOs in the survey claimed to have partnerships aimed at furthering development objectives. One of them however, is not counted here as the NGDO concerned (Clean Clothes Campaign) was involved in a multi-stakeholder initiative, which is about regulating business and promoting CSR, and not about contributing to development objectives.
tions are done by the PR-department, for instance, the partnership is not likely to be of strategic importance to the company concerned.

- **Reputation.** One of NGDO’s greatest assets is their reputation. Partnering with a company that does not have a favorable reputation could seriously damage the NGDO’s reputation. This requires that NGDOs have a clear picture of their potential partner’s track record on social and environmental issues. The issue of reputation is important because the partnership could become damaged if the business partner is accused of misbehavior (by another NGDO) during implementation.33

Another factor that NGDOs can consider during partner-selection is that of size. During interviews with NGDO-representatives, it became clear that some NGDOs have a specific preference for large or small business partners, while some appeared to have no preference at all. When explaining W&D’s specific preference for small and medium-sized businesses, the Account Manager of W&D says this is because it enables W&D to target directors directly. If the director of a smaller company becomes personally convinced of the value of a cooperation, the company’s dedication to a partnership is usually assured. An additional advantage is that directors are likely to propagate the partnership and the work of W&D in their own networks. With multinationals, on the other hand, direct access to directors is virtually impossible. Moreover, in the case of multinationals the personal commitment because of someone’s philosophy of life or religious beliefs are not likely to play a role (personal communication 21-5-03).

At the same time, it can be argued that because of their very size, cooperation with large companies, especially multinationals, can offer several advantages. Due to their magnitude and global reach, partnerships with multinationals have the potential to generate much larger impacts.34 This, for instance, clearly applies to establishing a (sustainable) supply chain, from which thousands of people could potentially benefit. Furthermore, a partnership with a well-known larger company is likely to result in more media attention than an alliance with a small entrepreneur.35

Just as finding the right business partner is crucial, so is choosing the right project for a partnership. An analysis made of the survey results and the literature shows that at least the following criteria can be used when selecting a suitable project:

- **Fit with overall strategy and mission.** NGDOs should always consider how the (potential) partnership activities fit in with their overall strategy and how efficiently it will contribute to accomplishing their core mission.
- **Development impact.** From the NGDO’s point of view, partnerships are ultimately about generating development impacts for intended beneficiaries. Therefore, a partnership’s anticipated impact should be substantive and last-

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33 Austin (2000) points out that, besides such selection criteria as mentioned above, the decision to work together in the end is always based on human chemistry. Or to put it differently, NGDO- and business staff should be able to look each other straight in the eyes and have a good feeling about each other.

34 Similarly, companies interested in a large scale-partnership are likely to select larger, well-known NGDOs as partners.

35 The company-size is also related to the matter of (unequal) power relations, which is discussed in section 4.4.
ing. NGDOs should never forget that partnerships are a means to an end, and not an end in itself.

- **Fit with organizational capabilities.** A partnership can only be successful if the project and its scope are manageable and feasible. This requires both partners to possess sufficient capacity in terms of staff availability, expertise and funding.

Box 4.2 gives an overview of the reasons why NGDOs that participated in this study decided to turn down corporate offers for partnering.

**Box 4.2 Reasons for turning down corporate offers for partnering**

From the interviews and the survey carried out for this study, it appeared that Dutch NGDOs are increasingly being approached by companies that want to start a partnership. The survey revealed that almost two thirds of the NGDOs with partnerships had turned down offers from companies to start alliances. Their reasons to do so were because the company concerned:

- Could offer only limited gains for the target group;
- Had a ‘tainted’ image;
- Had a vision which differed too much with the NGDO’s perspective;
- Posed too many conditions;
- Had a proposal which was too vague;
- Was perceived as trying to abuse the NGDO’s image;
- Was already targeted by the NGDO for campaigning purposes.

Source: survey

### 4.3 Cultural differences between NGDOs and business

From the interviews and the survey, it became clear that most NGDO representatives regard cooperation between companies and NGDOs to be difficult and potentially problematic because of their fundamentally different backgrounds. Cooperation is further complicated by the (previous) lack of contact (set aside negative contact) between the sectors as well as the prevalence of mutual prejudices. Heap (2000: 10) argues that there is an (un)conscious tendency amongst NGDO-staff to associate the private sector with exploitative behaviour and a lack of values. Companies are seen as operating on the opposite end of the continuum of concern of poverty and development. Similarly, companies tend to regard NGDOs as naïve, unrealistic and less effective. Furthermore, the (self-appointed) moral superiority of NGDOs can provoke uneasiness and resistance among corporates (Ashley & Roe 2002: 10, Waddell 1997).

NGDOs and business have fundamentally different missions and values. Companies have a focus on profit and increasing shareholder returns. In contrast to NGDOs, they are directly judged by their performance. As such, corporations tend to be strongly concerned with efficiency in order to increase profit and ensure growth. With regard to corporate activity, results are often tangible and

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36 Although the author recognizes that there are considerable differences between individual NGDOs and businesses, this section presents both sectors as fairly homogenous for the sake of the argument.
measurable quantitatively. NGDOs, on the other hand, are associated with goals such as generating social change or improving the quality of people’s lives. The nature of most NGDO activities often makes it hard to measure impact and effectiveness. In contrast to companies they are not directly judged by their performance.\footnote{Even though in the past few years there has been a growing tendency in the field of development cooperation to focus more on (demonstrating) tangible results.}

Differences between NGDOs and business are also reflected in the use of language and jargon. The use of jargon which is considered ‘normal’ for one partner, can be a source of annoyance for the other. In several interviews, for example, NGDO representatives described how they had encountered almost ‘allergic’ corporate reactions to the term ‘poverty reduction’. The issue of language is also important because various studies have shown that NG(D)Os and companies do not necessarily understand each other (Heap 2000, McLeod Grant & Bremner 2003, Waddell 1997). Not only do both sectors use different terminologies to describe similar practices, they also use the same terms which have completely different meanings for the other party.

In a study of NGDO-business partnerships in the field of tourism, for instance, Ashley & Roe (2003: 10) eloquently describe the mutual confusion over the use of the word ‘capacity building’. While the NGDOs involved perceived capacity building as ‘increasing the skills and competence of individuals’, the companies involved saw capacity building as ‘increasing the ability of destinations in order to accommodate more tourists e.g. through improved infrastructure and facilities’. Similarly, both sectors appear to have a very different perspective of the concept ‘development’. Whereas most NGDOs tend to perceive development in a multi-dimensional manner (as having political, economic and social dimensions), companies tend to view development merely in an economical sense (e.g. in terms of employment and income) (Ashley & Roe 2003).

Various authors (McLeod Grant & Bremner 2003, Austin 2000, Heap 2000) stress differences in NGDO and business leadership styles, decision-making and operating procedures. Although many exceptions exist, decision-making processes by companies tend to be less complicated then those of the NGDOs. The argument put forth by the above mentioned authors is that the decision-making structures of companies tend to be organized in a more top-down and hierarchical manner than those of the NGDOs. Companies are used to taking fast decisions, whereas NGDOs tend to include more stakeholders in decision-making processes (e.g. board members, advisers, funders and staff). Consequently, NGDOs typically value decision-making by consensus and consultation seems to be more embedded in NGDO’s organizational culture. The result is that NGDO decision-making often takes place at a slower pace. Heap (2000: 101) therefore advises NGDOs to engage in adequate internal discussion and debate in order to formulate a clear partnership approach, prior to proceeding with the process of partnering.

4.4 Success factors

Up until now, few studies have been carried out that have systematically tried to identify the factors that contribute to the success (or failure) of NGDO-business partnerships for development. This section provides a synthesis of the data (interviews, survey) gathered for this study combined with the findings in the literature.
Note that the exercise of identifying success factors is somewhat controversial, since the empirical support regarding success factors identified is rather limited. However, there is some consensus on what at least some of these factors might be. At least seven factors can be identified: trust, senior management support, the ability to meet performance expectation, clear goals, partner compatibility, shared decision making and transparency.38

**Trust**

In most studies, trust is identified as one of the major critical success factors in partnerships. It can refer to either the character or the competence of participating individuals and organizations in a partnership (Brinkerhoff 2002). Sufficient trust is required if NG(D)Os and companies are to discuss their problems and issues in an open and frank way. Building trust starts with complete openness about motives and criteria for partner-selection (Rondinelli & London 2003). Since trust is based upon openness, this means that communication and regular interaction are central to the trust-building process. Without regular communication, partners cannot clarify goals, generate ideas, be kept informed about problems, or participate in joint problem solving. Particularly when difficulties arise, good communication is essential. Finally, maintaining confidentiality on sensitive issues is crucial to maintaining levels of trust (Austin 2000, Ashman 2001, Heap 2000, Sagawa 2001).

**Senior management support**

Various scholars (Austin 2000: 53, Heap 2000: 98, Brinkerhoff 2002) point out that senior management commitment from both partners is essential for partnerships to succeed. Top leader support and direct involvement is translated in resource commitments (funds, personnel) and willingness to adapt standard procedures to give in to the partner’s preferences and constraints. Indirectly, senior management support represents the organisation’s commitment to the partnership, contributing to trust building between both organisations. An absence of leadership engagement means that the partnership has not reached a sufficient level of importance.

**The ability to meet performance expectations**

The ability of a partnership to meet performance expectations refers to both the individual partner’s performance as well as to the existence of constraints beyond the control of the partnership. Examples of the latter could be, for example, legal or regulatory policies imposed by a funder or governmental agency that might affect partnership performance (Brinkerhoff 2002). In regard to the first, an important question is whether the partners possess the necessary skills and capacity. The experience of W&D, for instance, is that NGDOs should not underestimate the amount of internal resources required by partnering. They should carefully assess if potential partnerships are manageable and feasible, given their staff capacity and available resources. The Account Manager of W&D emphasizes that it is essential that NGDOs have a professional staff in order to communicate with companies. In some cases, it might therefore be advisable to attract new staff who have experience with firms (personal communication 21-5-03).

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38 Note that this section mainly refers to NGOs (instead of NGDOs) as many of the points discussed in this section apply to partnerships for other types of NGOs (e.g. environmental, human rights) as well.
Clear goals
Various studies have shown that once a NG(D)O and a company have decided to initiate a partnership, they need to be very explicit from the beginning about what they want to achieve in order to prevent unrealistic expectations. This requires that both partners have a good idea of the other’s motives and anticipated gains. The more specifically and quantitatively both partners are able to describe the expected outcomes of a proposed partnership, the more guidance they will have. To achieve optimal clarity, partners should clearly distinguish between individual goals and shared goals. By providing a clear statement of what issues are to be addressed, and which issues are not, the expectations of both partners and stakeholders are clear from the start. Since both partners are responsible for achieving the objectives, they need to be ‘owned’ by both partners, regardless of who proposed them (Heap 2000, Sagawa 2001, Alliance for Environmental Innovation 1999, SustainAbility 2003).39

Although partnerships can take place on the basis of trust alone, partnership literature emphasizes the importance of having a written agreement in order to provide maximum clarity. T Hooft (2003) suggests that a Memorandum Of Understanding (MOU) is a suitable basis for most partnerships. A MOU is a written statement of intent that has no strong legal implications, as in the case of a contract. The MOU can cover issues such as:

- A shared vision and objectives;
- The anticipated mutual benefits;
- A work plan with clearly formulated roles and resources commitments;
- Time-frames;
- Liability;
- Confidentiality;
- The right to withdraw from the partnership;
- Procedures for communication and external transparency;
- A grievance mechanism to resolve potential disputes;
- Monitoring and evaluation procedures.

Partner compatibility
If partners are to cooperate successfully, key aspects such as operating cultures (e.g. operating philosophies, management styles, teamwork), constituencies and core values of the partners need to be compatible (Austin 2000) (see also section 4.2). As such, it is essential that the partners become well-acquainted with other prior to the execution of the partnership. This has the additional advantage that such an approach requires that less learning and trust building needs to take place during the implementation phase (Brinkerhoff 2002).

Shared decision making
Several studies have shown that shared control of partnership decision-making is associated with successful collaboration (Brown 2001, Austin 2000, Ashman 2001). In essence, the terms ‘partnership’, and ‘partner’ imply equality. Ashman (2001) however, argues that some degree of power imbalance between NG(D)Os and companies seems to be inevitable. This is because companies tend to be

39 A potential complication is that in various cases expected benefits may be hard to quantify.
much larger in size and often bring in the majority of the material resources. This is potentially problematic because uneven and unbalanced partnerships in most cases will not survive for very long, as marginalized NG(D)Os in such cases will sooner or later lose their enthusiasm (Arts 2002).

Therefore, the question is how a balance of power can be ensured. Ashman’s research findings suggest that power imbalances are most likely to occur when the business partner insufficiently values the resources brought in by the NG(D)O. In such cases the company and NG(D)O can ‘fall into the trap of the donor-recipient behavior, in which the financial resource-providing partner is expected to shape the terms of cooperation.’ Hence, each partner needs to benefit directly from the partnership and to understand how the other party benefits (SustainAbility 2003). Money is often a critical factor in this regard. To ensure autonomy, NG(D)Os can subsequently choose not to accept funding from the companies with which they partner. Remaining financially independent also gives the benefit of avoiding any issues concerning conflicts of interest or objectivity.

**Transparency**

Successful partnerships require both internal and external transparency. NG(D)Os and companies live in quite different worlds and are subject to pressures from very different stakeholders (Covey & Brown 2001). For NG(D)Os, it implies that maintaining legitimacy with its stakeholders (e.g. staff, donors, constituency) is essential. As such, transparency is important because it takes away the danger of perceived cooptation. By committing to an agreement without generating internal or external support, problems can arise. This means that before starting a partnership, NG(D)Os need to consult their own staff or colleague organizations who are actively campaigning.

Experience from NGO-business partnerships in the environmental sector, shows that effective monitoring and evaluation and subsequently reporting results to the outside world are essential for partnerships in order to maintain momentum and credibility (Heap 2000, Rondinelli & London 2003). Measuring results regularly allows the partners to assess to which degree the intended results have been achieved, and which changes could be made in order to make the partnership more effective. Furthermore, it enables communication with the outside world concerning the benefits achieved from having a partnership, which can be motivating for both partners (Austin 2000: 181).

### 4.5 Some critical reflections on NGDO-business partnerships for development

Decades of experience in development cooperation have shown that development requires more than the simple transfer of western experience, knowledge and technology. Initiatives need to be ‘owned’ by the intended beneficiaries and the local organizations that implement them. Local capacity is essential here. Although these issues may be obvious to NGDO-staff, they may be less obvious

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40 In essence, the point made here touches upon an existing debate in the field of development cooperation about the problematic notion of partnerships between Northern NGDOs and their Southern colleague organizations. For an overview of this discussion, see Lap (1997) and Fowler (2000).

41 Close financial ties can strengthen the problem of perceived cooptation. NG(D)Os need to be aware of the danger that other stakeholders (consumers, other NG(D)Os) could view the partnership as an attempt by the corporate partner to benefit from the NG(D)O’s image and reputation, without having real commitment to the cause (Samu & Wymer 2001).
to companies. As such, NGDO-business partnerships run the risk of being established in a top-down, supply-driven and potentially Eurocentric manner. NGDOs have to acknowledge that companies often do not share the same perspective on development and of how to effectuate it (see section 4.3). Therefore, NGDOs should make sure that the lessons learned in development cooperation during the past few decades be clearly communicated to their business partners.

While the activities of most NGDOs are based upon the demand of their Southern partners, partnerships do not automatically originate in this way. This is particularly the case when the initiative for a partnership stems from a corporation. In such cases there is the risk that the principle of local ownership be pushed towards the background. The issue of ownership is especially problematic when companies approach NGDOs with specified plans that leave little room for NGDO (both Northern and Southern) contributions. NGDOs should not forget that their primary stakeholders are in the South and that the genuine involvement of their Southern partners forms the basis of their legitimacy. When engaging in partnerships, Northern NGDOs should always consider how partners in the South will be affected (Hutchinson 2000).

A different point of concern, is that NGDOs should be well aware that companies use partnerships (both philanthropic and strategic) to publicly demonstrate responsible entrepreneurship. Although this is not necessarily a bad thing, NGDOs should be conscious of the fact that the partnership type(s) discussed in this chapter are not primarily about CSR. Their initial aim is to contribute to development processes, not to change the core business of companies. As such, a company’s willingness to participate in a strategic or philanthropic partnership does not say necessarily something about the sustainability of its core business practices and its willingness to change them if needed.

The fact that companies use partnerships to demonstrate social responsibility is more problematic if the company in question has a ‘tainted image’. In the Netherlands, for example, the coffee company Douwe Egberts has received strong criticism for the degrading labor conditions on its coffee plantations. Over the past few years Douwe Egberts has established joint development projects with Plan Netherlands. In response to criticism from campaigning organizations, Douwe Egberts currently refers to these projects to ‘show’ its good intent. Critics point out that these projects are merely acts of philanthropy as they are completely unrelated to Douwe Egbert’s core business practices (see ‘Jarige Douwe Egberts trakteert niet’, 2003: 29). The problem is, however, that the difference between CSR and philanthropy is not automatically clear to the broader public.

Finally, NGDOs should never forget that partnerships with companies are merely a means to an end, and not an end in themselves. A company might come with an interesting (or lucrative) partnership proposal which on second thought does not really fit well with the NGDO’s overall strategy and its mission. In such cases, NGDOs should particularly be careful not to lose sight of their objectives, core values and competencies. Eagerness to start a partnership, should never be the decisive reason.

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42 Although it is fair to notice that in some cases, NGDOs might perceive considerable pressures to start partnerships for reasons related to funding or to fear of ‘missing the boat’.
5. Summary and conclusions

In my view, the rise of CSR has played an essential role in the changing relationships between business and NGDOs. We have almost reached the point where CSR is no longer means for companies to fashion themselves in a positive way, but where companies set themselves apart in a negative way if they choose to ignore it. This development has created enormous opportunities for NGDOs (personal communication, Operational Director Healthnet International, 11-9-03).

In the last few years NGO-business relationships have changed. At the basis of the changing relationship lies the rise of Corporate Social Responsibility (CSR) in the late 1990s. One of the main drivers of CSR is the surge of corporate power, which has been strengthened by economic globalisation and (trade) liberalisation. The increasingly global nature of the economy has expanded the influence and impact of multinationals in developing countries. Simultaneously the role of governments as (public) service providers and regulators of the economy has decreased.

Not only governments and civil society have started to call for CSR, but also a part of the business world has come to emphasize its importance. The corporate reputation plays a crucial role here and consumer behaviour is a key concern in many industries. Association with a social or environmental scandal could directly influence consumer-behaviour and subsequently company profitability. The increasing acceptance of the principles of CSR makes NG(D)O-concerns about business malpractices more legitimate and influential. NG(D)Os have come to represent an increasingly powerful potential threat to the corporate image. At the same time, however, they also represent new opportunities for the corporate sector. By providing support to, or seeking dialogue or cooperation with NG(D)Os, companies can demonstrate responsible entrepreneurship.

The empirical results of this study show clearly that – at least in the Netherlands – NGDOs have become more interested in business. It appears that the level of interaction between NGDOs and companies in the Netherlands has greatly increased during the past few years. Roughly half of the NGDOs that participated in the study is currently working on new policies regarding the private sector. Since most NGDOs seem to do this independently from one another, they run the risk of unnecessarily ‘reinventing the wheel’.

Although NGDOs have undoubtedly become more interested in business, the findings from this research show clearly that many (Dutch) NGDOs still lack a coherent view regarding business. Furthermore, within organizations (even those with concrete private sector strategies) it appears that hardly any unanimous view exists. Possible explanations for this lack of a (commonly agreed upon) vision are that many NGDOs lack first-hand experience with (mainstream) companies, have a traditional focus on social sectors outside the marketplace, and have objectives that often lack a direct connection with business. As such, NGDOs differ considerably from environmental NGOs that often deal with problems which have a direct (causal) relation with the impact of unsustainable business operations.

Among the NGDOs that do have a more comprehensive idea of the role of business in development, a variety of perspectives exists. These perspectives range from the view that companies positively contribute to development processes to the view that (multinational) corporations have no role in a sustainable future. Most NGDOs have views that are positioned somewhere between these two extremes and recognise the role of the private sector as the basis of
wealth creation and an engine for growth, but at the same time they remain critical about the negative effects of corporate operations in developing countries.

In this report, NGDO-business relationships are classified according to the main purpose they serve from the NGDO's perspective. From the NGDO's point of view, a total of three main purposes can be identified:

1. **Corporate fundraising: getting access to business resources**
   Traditionally, most NGDOs did not pay much attention to the private sector as a source of funding. In the past few years, partly because of the rise of the CSR discourse, NGDOs started to ‘discover’ the potential held by companies in this area. Of all the 35 NGDOs that participated in this study, currently almost two-thirds receive corporate financing. The study furthermore reveals that for these NGDOs, corporate funding has become increasingly important in the past few years. This especially applies to the smaller NGDOs with 20 or fewer employees who on average obtain between three and ten percent of their annual turnover via corporate fund-raising. For larger NGDOs, these percentages on average are between less than one and respectively three percent.

   The most common way for NGDOs to gain access to corporate funding is by assuming the role of charitable cause. Whereas simple donations remain common, strategic corporate funding – mainly in the form of sponsoring arrangements – seem to become more prevalent. Corporate funding can also be in kind, such as donations of human resources (e.g. staff time, expertise) or material resources (e.g. furniture, computers). Recently, a few NGDOs have started to offer consultancy services to companies as a strategy for obtaining corporate funding. As consultants, NGDOs act as advisors on development-related issues (e.g. regarding codes of conduct, certification, fair trade) or they address concrete development problems that negatively affect business operations.

   NGDOs should be careful when accepting corporate funding unquestioningly as they might run the risk that money will be accepted from a company involved in questionable business practices. Particularly in cases where the company concerned has a track record of irresponsible behavior, there is the (perceived) danger that they can be abused for PR-related reasons.

2. **Civil regulation: promoting CSR and addressing corporate malpractices**
   Although companies have become increasingly powerful and influential in the last decade, national governments refuse to impose binding legislation on them. Therefore, many NGOs feel as if they have no other choice but to address corporate malpractices themselves. The increasing acceptance of the principles of CSR has made NGO-claims more legitimate. NGO-pressure to integrate social and environmental performance standards in business operations is called ‘civil regulation’. Civil regulation tries to influence consumer behavior mainly by targeting the corporate reputation. Civil regulation strategies range from antagonistic to cooperative; some NGOs choose business-unfriendly strategies, while others believe in changing the economic system and its effects by operating cooperatively. Antagonistic and cooperative approaches are usually seen as complementary, as the first might create the space for other NGOs to engage in the latter.

   Antagonistic strategies generally work by attracting the attention of the media and challenging the reputation and credibility of a corporation. Antagonistic strategies can represent a major threat for business, particularly for large companies with brand names, since they do not only have the potential to affect immediate sales, but they can also influence consumer choice long after the
campaign has ended. More than half of the NGDOs surveyed for this study have antagonistic relationships with business, targeting sectors such as coffee, garment and sportswear, oil and diamonds. Although antagonistic strategies can be very successful, they have clear drawbacks such as a high dependency on the media and a negative orientation. Various commentators argue that in order to make future antagonistic strategies more effective, the drivers of business behavior (e.g. financial markets) need to be targeted, not business itself.

Cooperative strategies of civil regulation are a fairly new phenomenon and have attracted considerable attention as a possible third way of surpassing the limitations of both governmental regulation, corporate self-regulation and antagonistic civil regulation strategies. Cooperative civil regulation strategies are mainly found in the form of multi-stakeholder initiatives, which consist of multiple actors including companies, NGOs, trade unions and (intra) governmental organizations. Essentially, they consist of schemes that set social and environmental standards, monitor compliance, promote social and environmental reporting, certify good practice, and encourage stakeholder dialogue. Multi-stakeholder initiatives in which NGDOs participate are usually related to the promotion of labour rights in sectors that are characterised by supply chains controlled by western companies, notably garment and sportswear. Although multi-stakeholder initiatives are currently looked at with much interest, only a few Dutch NGDOs are actually involved in them.

Although certainly valuable, civil regulation is not the ultimate solution for addressing corporate malpractices. The fact that civil regulation might be seen as a substitute for legislation and binding international agreements and thus reduce the pressure to increase governmental regulation is perhaps one of its major weaknesses. Furthermore, its reach is limited to large companies with brand names on Northern markets. Some commentators specifically criticize cooperative civil regulation approaches. They argue that by choosing to work with business, NGOs accept and therefore, further legitimise the current neo-liberal paradigm while undermining challenges to this model. A final point, which relates to current NGDO-strategies used in addressing corporate malpractices and promoting CSR as a whole, is that the CSR-debate is currently dominated by Northern stakeholders, whereas Southern voices are hardly ever heard. If NGDOs seek to achieve greater legitimacy in their efforts to promote responsible business behavior, it is essential that they demonstrate greater accountability to Southern NGDOs in the future.

3. Realising development objectives through partnerships

Although the majority of the NGDOs remains critical towards business, many of them have come to recognise the importance of the private sector in development processes. This development has been stimulated by the major development agencies that have started to encourage partnerships between government, civil society and the private sector as a new strategy for sustainable development. The increasing NGDO-interest in the positive contribution made by companies to further development has led to the emergence of NGDO-business partnerships aimed at the joint implementation of overseas development activities.

One of the most striking results of this study is that more than half of the NGDOs surveyed claimed to have one or more partnership(s) with business. Most of these partnerships were established after 2000, which shows NGDO-interest in partnerships for development to be a new phenomenon. In order to understand such NGDO-business partnerships better, this study presents a basic
partnership typology. This typology is based on whether partnerships are, or are not, directly supportive of the core business of companies. From this division, two kinds of partnerships can be identified:

1. **philanthropic partnerships** which do not directly support or extend the core business of companies;

2. **strategic partnerships** which directly support or extend the core business of companies.

Strategic partnerships differ considerably from philanthropic partnerships because, from the corporate perspective, they are primarily driven by strategic (commercial) motives. Strategic partnerships may offer new business opportunities. This is, for example, the case when an NGDO helps a company to import products from developing countries (e.g., fruits, vegetables). In the case of a philanthropic partnership, a company makes time and resources available to work with an NGDO without having direct financial benefits. As such, commercial motives do not constitute the main reason why a company chooses to become involved in this partnership (although there may also be indirect strategic benefits). An example of a philanthropic partnership would be, for instance, when a company cooperates with an NGDO (and its local partner) in order to implement a project that aims to provide clean drinking water.

Both philanthropic and strategic partnerships are potentially interesting to companies as they represent a means of demonstrating social responsibility and meeting the public demand for socially responsible entrepreneurship. In the case of strategic partnerships, NGDOs (through local partners) seem to be particularly interesting because they can help companies to establish new supply chains. This research shows that currently the majority of the NGDO-business partnerships for development are of the philanthropic type.

Due to the fact that NGDO-business partnerships for development are still a new phenomenon, and in-depth studies are not yet available, evidence concerning factors which make such partnerships successful remains limited. It seems clear, however, that NGDOs should pay close attention when selecting a suitable company and project. The few existing studies suggest that factors that are crucial to the success (or failure) of NGDO-business partnerships include trust, senior management support, the ability to meet performance expectations, clear goals, partner compatibility, shared decision making, and transparency (both internal and external). Additional research is clearly needed to gain more insight into these factors.

Finally, it should be noted that there are several potential dangers associated with NGDO-business partnerships for development. As companies often have a different perspective of development, partnerships run the risk of being established in a top-down, supply-driven manner. NGDOs should not forget that their primary stakeholders are in the South and that genuine involvement of their Southern partners forms the basis of their legitimacy. A different point of concern is that NGDOs should be well aware that companies use partnerships (both philanthropic and strategic) to publicly demonstrate responsible entrepreneurship. Although this is not necessarily a bad thing, problems may arise if a business partner is associated with irresponsible practices. Finally, NGDOs should never forget that partnerships are always a means to an end, and not an end in itself.

**In conclusion**

Without doubt business has become more important to NGDOs. There are strong indications that this trend will continue. Although many NGDOs have become
interested in business, this study also reveals that many NGDOs still do not have a clear idea about the (concrete) role companies could play in their activities. This not only requires NGDOs to think more strategically about what the private sector has to offer them, but also about what they have to offer business. Considering the current lack of knowledge concerning the various NGDO-business relationships, it would be very valuable if NGDOs would share their experiences and make them widely available.

Although NGDO-business relationships will undoubtedly become more common in the future, to some degree interaction between the sectors can be expected to remain problematic. NGDOs and companies have very different objectives and operating procedures and the fear of being (ab)used for PR-related reasons always looms on the horizon. If NGDOs want to start cooperating with business, they must be willing to accept a degree of uncertainty and risk. As most cooperative NGDO-business relationships are just starting to get off the ground, this means that the coming period will be one of experimentation that inevitably will see both successes and failures.
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## Appendix 1

**Personal communication**

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Organization</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>mr. A. van de Ham</td>
<td>Novib</td>
<td>ICCO</td>
<td>23-1-03</td>
</tr>
<tr>
<td>mrs. J. Botter</td>
<td>ICCO</td>
<td>ICCO</td>
<td>29-4-03</td>
</tr>
<tr>
<td>mr. W. Hasselman</td>
<td>Account Manager</td>
<td>Woord &amp; Daad</td>
<td>21-5-03</td>
</tr>
<tr>
<td>mr. A. Kluijver (telephonic)</td>
<td>Partnership manager</td>
<td>Simavi</td>
<td>15-5-03</td>
</tr>
<tr>
<td>mr. K. Braber (telephonic)</td>
<td>Director</td>
<td>Lepra Stichting</td>
<td>20-5-03</td>
</tr>
<tr>
<td>mr. F. Papma</td>
<td>Director</td>
<td>Fair Wear Foundation</td>
<td>3-6-03</td>
</tr>
<tr>
<td>mr. J. Verburg</td>
<td>Policy Advisor CSR</td>
<td>Novib</td>
<td>4-6-03</td>
</tr>
<tr>
<td>mr. P. Meijs</td>
<td>Director</td>
<td>Care Netherlands</td>
<td>4-6-03</td>
</tr>
<tr>
<td>mr. J. Haffmans,</td>
<td>Managing director,</td>
<td>Clean Clothes Campaign</td>
<td>26-6-03</td>
</tr>
<tr>
<td>mr. R. Gijsberts,</td>
<td>Private Sector Development Officer</td>
<td>SOMO</td>
<td>1-7-03</td>
</tr>
<tr>
<td>mr. J. Oldenziel</td>
<td>Director</td>
<td>SOMO</td>
<td>1-7-03</td>
</tr>
<tr>
<td>mr. W. Wiertseman</td>
<td>Director</td>
<td>Both Ends</td>
<td>2-7-03</td>
</tr>
<tr>
<td>mr. J. Hofstra</td>
<td>Liliane fonds</td>
<td>6-7-03</td>
<td></td>
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<tr>
<td>mr. M. Leijzer</td>
<td>Private Sector Development Officer</td>
<td>SNV</td>
<td>21-7-03</td>
</tr>
<tr>
<td>mrs. M. de Niet</td>
<td>Head Marketing &amp; Communication</td>
<td>Oikocredit,</td>
<td>22-7-03</td>
</tr>
<tr>
<td>mr. J. Verboeket</td>
<td>Coordinator</td>
<td>War Child</td>
<td>18-8-03</td>
</tr>
<tr>
<td>mr. G. Oonk,</td>
<td>Coordinator</td>
<td>India Committee Netherlands</td>
<td>25-8-03</td>
</tr>
<tr>
<td>mr. J. Douglas</td>
<td>Coordinator</td>
<td>Solidaridad</td>
<td>27-8-03</td>
</tr>
<tr>
<td>mr. E. Fokkema</td>
<td>Coordinator</td>
<td>Kerkinactie (formerly ICCO)</td>
<td>25-8-03</td>
</tr>
<tr>
<td>mr. J. Ruiter</td>
<td>Policy Officer</td>
<td>Cordaid</td>
<td>4-9-03</td>
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<tr>
<td>mr. J. Sluis</td>
<td>Consultant</td>
<td>9-9-03</td>
<td></td>
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<tr>
<td>mr. J. Dusseljee</td>
<td>Operational Director</td>
<td>Healthnet international</td>
<td>11-9-03</td>
</tr>
</tbody>
</table>
Participating organisations
Agromisa
Both Ends
Care Nederland
Cordaid
Fair Food
Fair Trade Assistance
Healthnet International
Hivos
ICCO
Interserve
Koffiecoalitie
Landelijke India Werkgroep (India Commitee Netherlands)
Leprastichting
Lilianefonds
Mama Cash
Medisch Committee Nederland
Netherlands Institute for Southern Africa
Niza
Novib
Pax Christi
Plan Nederland
PSO
Save the Children
Schone Kleren Campagne
Simavi
SNV
Solidaridad
Tearfund
Terres des Hommes
VNG International
VSO
Warchild
WEMOS
Woord & Daad
ZOA Vluchtelingen zorg
Appendix 2

Survey results
With regard to the survey results presented below, the following points should be taken into account:

- With a few of the (open) questions, NGDO-responses could not be quantified. In these cases, the responses have been integrated into the main text of this report and they are not listed below.
- One of the results of this study has been a typology of NGDO-business relationships. This typology classifies NGDO-business relationships according to their main objective:
  1. Relationships with the primary aim of gaining access to corporate resources in either money or kind.
  2. Relationships with the explicit aim to influence the corporate policy and practice and with the intention of making it more sustainable;
  3. Relationships aimed at using the positive qualities of corporations to promote development objectives;
At the time when the survey was carried out the above classification of NGDO-business relationships had not yet been developed. Instead, the survey used a (different) typology based on a preliminary literature review and explorative interviews with NGDO-representatives (see below). As such, it is important to note that the classification of NGDO-business relationships used throughout the report, is not entirely the same as the one used in the survey. The specific definitions used in the survey are listed below.
- These statistics presented here should not be taken in a strict sense but instead they should be seen more as a global indication. This is because many NGDOs do not have a commonly-shared view towards business and individual staff members could have different perspectives.
- A final point relates to the presentation of the survey-data. In the cases where the n-value was less than 25 (the threshold of statistical validity), frequency-values instead of percentages have been used.

Survey NGDO-business relationships

The starting-point of this questionnaire is that at least four types of relationships can exist between NGDOs and business.

1. Antagonistic relationships. Relationships are antagonistic when they are primarily aimed at changing business operations. This is for instance the case when a development NGO campaigns against a multinational company that uses child labour. Development NGOs can use different strategies, varying from a critical dialogue to public campaigns.
2. Consultancy relationships. In the case of consultancy-relationships, business pays for the expertise of development NGOs, for instance for the external supervision of codes of conduct.
3. Philanthropic relationships. Philanthropic relationships are solely aimed at attracting business resources (money, material, human resources) without resulting in the joint development or implementation of development relevant activities. Philanthropic relationships can be incidental as well as structural by nature.
4. Partnerships. Partnerships are relationships in which development NGOs and business cooperate – and make resources available – for the development and/or implementation of activities that are development relevant. Partnerships can vary from the joint implementation of (development)projects to setting up sustainable supply chains.
1. This questionnaire is based on the assumption that four different relationships exist between companies and development NGOs. Is this assumption correct in your opinion? (n=35)

![Bar chart showing responses to the first question.]

2. Does your organization currently have a concrete policy-strategy with regard to business? (That is to say a clear vision, why, when and how to start relationships with business) (n=35)

![Bar chart showing responses to the second question.]

**Antagonistic relationships**

3. Has your organization had (a) relation(s) with business that could be described as antagonistic since 2000? (n=35)

![Bar chart showing responses to the third question.]

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70
4. To what degree has the number of antagonistic relationships of your organization with business changed during the past ten years? (n=13)

Consultancy-relationships

7. Has your organization provided paid consultancy-services to business since 2000? (n=35)

8. To what degree has the number of consultancy relationships of your organization with business changed during the past ten years? (n=5)
11. Does your organization use criteria business has to comply with before providing consultancy-services? (n=5)

![Bar chart showing frequency of responses for question 11.]

Philanthropic relationships

13. Has your organization received resources from business since 2000? (n=35)

![Bar chart showing percentage of responses for question 13.]

14. To what degree has the number of philanthropic relationships of your organization with business changed during the past ten years? (n=22)

![Bar chart showing frequency of responses for question 14.]

Frequency

Not applicable Decreased Stayed equal Increased
15. How is/are the philanthropic relationships of your organization with business formed? (n=22)

15a. What kinds of donations does your organization receive from business? (n=21)

15b. What kinds of sponsoring does your organization receive from business? (n=18)
16. Does your organization use certain criteria business has to comply with before you accept any contributions? (n=22)

17. What percentage of your organization’s annual turnover comes from business-contributions?

Partnerships

19. Has your organization has (a) partnership(s) with business since 2000? (n=35)
20. To what degree has the number of partnerships shared between your organization and business changed during the past ten years? (n=18)

22. What are the most important motives of your organization in cooperating with business? (choose no more than two motives)

23. Does your organization use criteria when selecting business-partners for future cooperation? (n=18)
24. Has your organization rejected offers from business in regard to starting a partnership? (n=17)

25. Has the Dutch government played a supportive role during the realization of (a) partnership(s) shared with your organization and business? (n=17)

27. What does your organization have to offer to business by (potential) partnerships? (several answers possible)
Perspectives towards business

29. The operating procedure and objectives of large companies – especially multinationals – are incompatible with sustainable development and poverty reduction in developing countries. (n=35)

30. Companies only live up to the principles of CSR when it does not affect their competitiveness. (n=35)
31. Companies give a honest and complete picture to the public with regard to the way they operate in developing countries. (n=35)

32a. What is the stance taken by your organization with regard to (other) development NGOs that have antagonistic relationships with business? (n=35)

32b. What is the stance taken by your organization with regard to (other) development NGOs that have philanthropic relationships with business? (n=35)
32c. What is the stance taken by your organization with regard to (other) development NGOs that have consultancy relationships with business? (n=35)

32d. What is the stance taken by your organization with regard to (other) NGDOs that have partnerships with business? (n=35)

33a. How do you anticipate that the number of antagonistic relationships of Dutch development NGOs with business will change in the future? (n=35)
33b. How do you anticipate that the number of philanthropic relationships of Dutch development NGOs with business will change in the future? (n=35)

33c. How do you expect that the number of consultancy relationships of Dutch development NGOs with business will change in the future? (n=35)

33d. How do you anticipate that the number of partnerships of Dutch development NGOs with business will change in the future? (n=35)
Remaining questions

34. What was the turnover of your organization in 2002 (in euros)? (n=35)

35. How many people are currently working for your organization (both full time and part-time)? (n=35)