

# **Corporate Citizenship and the Evolving Relationship between Non-Governmental Organisations and Corporations**

by

**Malcolm McIntosh and Ruth Thomas**

Foreword by

**Sir Mark Moody-Stuart**

Director and former Chair,

**Royal Dutch/Shell Group of Companies**

**British-North American Committee**

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## **British-North American Committee**

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This paper grew out of discussions at two meetings of the British North American Committee in London and New York during 2001. The first part of the paper provides a solid introduction to the key issues that have arisen as relations between businesses and Non-Governmental Organisations (NGOs) have broadened and deepened. The second part of the paper is a review of the role and scope of NGOs that BNAC members found to be an excellent summary of the range of NGOs and their interaction with business. Business people will readily identify many of the examples. The review also points towards the growth of very constructive partnerships between NGOs and business. These partnerships not only allow the early identification of issues, but, through open engagement often enable more effective approaches to sustainable

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development, particularly the environmental and social elements. This paper is of great value in clarifying thinking on the varying relationships between NGOs and business.

Given the current state of the debate, it is difficult to agree on a precise definition of corporate citizenship. This is partly because this field is still so much in evolution and also because of the wide range of opinions and experiences, not least in comparing the USA, Canada and the UK. Not only is the field changing and developing, but so too are corporations. This thoughtful paper provides useful coverage of some of the starting points for the ongoing discussion.

The paper rightly points to the evolution of the wider and looser 'corporate responsibility' into a concept of 'sustainable development' and 'corporate citizenship', with an emphasis on delivering not only economic performance but ensuring that environmental and social impacts, both positive and negative, are also taken into account. This provides a better framework for the measurement of performance - and measurement and reporting are essential if the trust on which partnership depends is to be built.

The paper describes pioneering efforts to build a global reporting standard (the Global Reporting Initiative), as well as the need for management systems to ensure consistent delivery, with reference to ISO 14000Series and AA1000S. While there are a number of leading examples of companies reporting in an integrated way on the economic, environmental and social impacts of their day to day business activities, it will probably be another few years before there evolves a generally agreed framework for both the *management and measurement* of these elements in a wide range of businesses. This paper is a distinct contribution to the way forward.

Mark Moody-Stuart  
September 2002



**British-North American Committee**

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**Corporate Citizenship  
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and Corporations**

**by**

**Malcolm McIntosh and Ruth Thomas**

## **Corporate Citizenship and The Evolving Relationship Between Non-Governmental Organisations (NGOs) and Corporations**

### **Executive Summary**

Corporate citizenship has become the subject of rich debate, as researchers and practitioners strive for a shared understanding of the concept and map out the implications of engagement for business, civil society and governments world-wide.<sup>1</sup> What should the relationship be between business and society? As with any field where the concepts and territory remain open to interpretation, definitions and practical frameworks are evolving in tandem. It is perhaps not surprising then that companies seeking to engage both intellectually and at an operational level with the citizenship agenda should encounter difficulties. At a time when there are more questions than answers, it is inevitable that progress towards active citizenship, and therefore *good* corporate citizenship, may be hampered by a lack of accord. However, an increasing willingness from business to engage in dialogue and partnerships with a range of civil society groups, means that a number of key initiatives have emerged through joint thinking that are leading the way in directly addressing corporate citizenship issues.

Central to the current debate is the evolution of civil society and NGOs (non-governmental organisations) and the relation of this sector to the market and the state. For some corporations this has been difficult territory as their relations with some NGOs have been antagonistic, if not extremely hostile. Other corporations see the emergence of civil society organisations in general, and INGOs (international NGOs), in the same light as their own international and

global development. This corporate group sees sense and strength in engaging with groups who may share *some* values, but who also may have a different message and modus operandi. In this paper we link the development of civil society and NGOs to the growing corporate citizenship debate. The paper is organised into two main parts.

This first part of the paper charts a path through some of the key issues currently being explored by businesses seeking to engage with the citizenship agenda. The paper synthesises current thinking on corporate citizenship. It shows that while attempts to define and conceptualise corporate citizenship vary, they draw on a number of common themes that form the foundations of the debate. Important here, is an understanding that the issues involved are challenging, and for most organisations will demand learning new skills, unlearning old habits, and being prepared to initiate and experience change. For many organisations engaging in real conversation with NGOs and civil society requires fundamental conceptual and organisational change, in many cases redefining their role, scope and purpose. In this sense understanding what it might mean to be a corporate citizen redefines not only the relationship between the different sectors of society, but also the nature of corporations themselves.

Fundamental to this change is the development of an institutional environment that will support and nurture new initiatives. While an organisation can influence and is able to shape elements of its external environment, the key to its survival is the ability to transform the immediate organisational context of daily operations. This is perhaps the most challenging element for any company engaging with citizenship initiatives as it can mean a fundamental re-appraisal of the way business is conducted. In particular, it requires that attention be given to the more intangible aspects of company culture, as well as the core values that shape the way individuals in the

business conduct their activities. In looking at how corporations may institutionalise corporate citizenship initiatives, the paper draws on lessons and experiences from institutional theory.

Putting into practice or operationalising citizenship initiatives can demand the development of new organisational competencies. For example, much of the work on citizenship draws its strength and legitimacy from a social partnership approach where businesses work alongside the organisations of the state and civil society groups. For many businesses, some aspects of this form of joint working present new territory, for which there are few organisational precedents, and little internal management competence. Successful delivery of citizenship goals may therefore necessitate training and skills development beyond those acquired in the course of business activity to date. The paper examines some of the initiatives that not only aim to operationalise citizenship issues but which also have in-built roles in terms of capability development.

The paper continues by considering how corporations may choose to approach the issue of performance measurement. With citizenship initiatives growing apace, it is not always clear which initiatives are delivering substantive change. Incorporating performance measurement internally to steer change, and reporting performance externally to ensure transparency, also focuses attention on which initiatives are successful in making a difference. The ongoing development of appropriate standards and codes means that companies are subject to a bewildering array of initiatives focused on the measurement of performance. The paper outlines some basic issues for consideration and a key initiative is highlighted which uses a multiple stakeholder approach (AA1000S), and aims to allow for benchmarking and reporting as well as internal performance improvement.

The paper shows that corporate citizenship is evolving. While the debate is characterised by change, it is also grounded in some sense of shared values and beliefs by those who promote it as a new form of corporate behaviour. It is suggested that institutionalising and operationalising corporate citizenship initiatives, depends on the development and leverage of appropriate types of organisational capital. This in turn relies on identified organisational characteristics that include collaborative working, learning through partnership and the ability to be receptive to new ideas and change. Performance indicators are an important part of measuring progress and there are some basic principles to assist companies working towards citizenship ideals.

The second part of the paper focuses on the role and scope of NGOs. To begin, the discussion supplies simple overarching definitions of civil society and NGOs. In doing so, this paper acknowledges the range and scope of organisations embraced by this interpretation. It is this inherent, underlying complexity that is explored further in the subsequent discussion. The analysis continues by outlining a series of contextual factors that explain why conversations about business and society are increasingly concerned with NGOs. Particular consideration is given to the rise of civil society, the 'death of deference' and the multifaceted agenda that is globalisation. The discussion provides a basic outline of NGOs that indicates their position in relation to other sectors of society. In addition, typologies that have organised and 'mapped' NGOs on the basis of how they choose to interact with business are presented.<sup>2</sup>

The role of NGOs is explored further as the paper considers a range of possible stances that NGOs can adopt in relation to business. These stances draw on the reported case study experiences of both parties. The evidence suggests that while conflict is still commonplace, there is increasingly room for manoeuvre that is building on an imperative for participatory outcomes. As the potential

roles of NGOs evolve, so too does the scope of their activities. Significant is the ability of organisations to harness new technologies for communication and to achieve progressive change through a collective voice. The discussion emphasises the key role that NGOs are playing in redefining the institutional landscape and the market environment.

## **Perspectives on Corporate Citizenship**

As the power and influence of business has increased and in some cases outstripped that of some nation-states, increasingly difficult questions have been posed that ask – what then, is the role and responsibility of business? It is for this reason, amongst others, that corporate citizenship has been described as one of the ‘big issues’ of the 21<sup>st</sup> Century.<sup>3</sup> This is an extensive debate that will not be rehearsed at length here. However, what has crystallised from the exploration of business activities in a new global context, is an understanding that businesses do have, or can have, a wider ‘citizenship’ role to play in society.

In their discussion, Andriof and McIntosh (2001) suggest that citizenship is not only about legally defined rights and duties, including fiduciary responsibility, but also, crucially, has a political element that concerns active commitment.<sup>4</sup> With commitment come responsibilities, and that commitment stems in turn from a more thorough understanding of rights and responsibilities. These extend beyond the boundaries of the firm, to include society and the natural world we share. In a global economy, these responsibilities have global implications and embrace economic, social and environmental dimensions. Engagement with these three elements means that citizenship has become strongly associated with the concept of environmental sustainability.<sup>5</sup> In addition, citizenship has overlapped and, in many texts, superseded the longer standing discussions that have been captured under the heading ‘corporate social responsibility’.<sup>6</sup>

This broader conception and interpretation of corporate social responsibility brought by the citizenship debate, has meant that corporations have been encouraged, and some would say forced, to extend their horizon of interest beyond the traditional areas of

markets and the workplace, to include the community (both proximal and distant) and the natural environment. Significantly, some commentators have also argued strongly that this redefining of the relationship between business and society requires a new, more systemic and holistic approach to the processes of business. This includes new visions and values of mindfulness, integrity, an 'ethic of care', co-operation and understanding.<sup>7</sup> If we reflect on the depth and breadth of this new agenda it is not surprising that citizenship has been variously interpreted. A selected number of author, company and business association perspectives are illustrated in Figure 1. While definitions can be an important part of scoping the debate, it is arguably more relevant to have a shared appreciation of founding principles and concepts that guide conversations. It is on this basis, for instance, that the UN's Global Compact was launched both as a platform for commitment to universal principles in the areas of human rights, labour standards and the environment, and to facilitate progress and change around citizenship issues.<sup>8</sup>



**Figure 1: Perspectives on Corporate Citizenship**

Author/ Organisation Definitions	Corporate Interpretations
<p>Corporate citizenship is a continuum that stretches from 'minimal' at one extreme (consisting of compliance with laws governing the operation of the business, but nothing else) to a complex relationship of interlocking rights and responsibilities at the other end.</p> <p>(McIntosh et al 1998)<sup>9</sup></p>	<p>Corporate citizenship is about commitment and engagement in areas of real difficulty and public controversy where society has problems and where solutions are not readily apparent – the global natural environment, for instance or human rights or the use of child labour or the legal and tax framework within which international companies have to operate in many transition societies.</p> <p>(BP, Browne 2000)<sup>10</sup></p>
<p>Good corporate citizenship ... can be defined as understanding and managing a company's wider influences on society for the benefit of the company and society as a whole.</p> <p>(Marsden and Andriof 1998)<sup>11</sup></p>	<p>In Shell, we believe that a responsible business must operate on the basis of core global values. It should listen to society's messages, justify its legitimacy in the eyes of societies and opinion leaders, and regulate itself effectively and openly.</p> <p>(Royal Dutch / Shell, Moody-Stuart 2000)<sup>12</sup></p>
<p>Global citizenship is about making sure you have the right relationships in the community and environment in which you operate, while working in partnership with key players for mutual tangible benefit</p> <p>(Foreign and Commonwealth Office, UK 2001).<sup>13</sup></p>	<p>A key idea behind these initiatives ... [corporate social responsibility and corporate citizenship] ... is that responsible behaviour makes good business sense. ... At Rio Tinto we have found that maintaining the trust of local communities is essential for the long-run success of our operations. A sound reputation on ethical issues also helps us to recruit and retain high-calibre employees.</p> <p>(Rio Tinto plc., Wilson 2000)<sup>14</sup></p>

Cont ...

**Figure 1: Perspectives on Corporate Citizenship (Cont ...)**

<p>Good corporate citizens live up to clear constructive visions and core values. They treat well the entire range of stakeholders who risk capital in, have an interest in, or are linked to the firm through primary and secondary impacts, through developing mutually beneficial operating practices and by working to maximise the sustainability of the natural environment. (Waddock 2002)<sup>15</sup></p>	<p>Cable &amp; Wireless is a global corporate citizen with long traditions. . . . Our values give us a framework for our behaviour; both individually and corporately. Through our global community involvement programme, we aim to strengthen the social and economic development of the communities in which we operate. (Cable &amp; Wireless in the Community 2001)<sup>16</sup></p>
<p>Understanding business as a public culture, not just 'concerned' with values and human rights but more thoughtfully aware of how it shapes the cultural politics (and economics) of those values, is at the heart of our definition of corporate citizenship. (Birch and Glazebrook 2000).<sup>17</sup></p>	<p>Tomorrow's market leaders know that globalisation means more than simply doing business as usual on a global scale. To compete successfully, companies must navigate a complex and constantly changing set of economic, environmental and social challenges and stakeholder demands. Long considered business "externalities" such factors are now integral to corporate operations and directly contribute to brand reputation and financial performance. (Business for Social Responsibility 2002)<sup>18</sup></p>
<p>Civic responsibility, being a partnership between government, civil society, and the private market, necessarily depends on the active collaboration of political leaders, citizens and business people. (Barber 2001).<sup>19</sup></p>	<p>Corporate social responsibility is the commitment of business to contribute to sustainable economic development working with employees, their families, the local community and society at large to improve their quality of life. (World Business Council for Sustainable Development 2002)<sup>20</sup></p>

All these selected quotes, from business and commentators alike, share common aspects:

- business is of society;
- business is in the business of developing society;
- business is in partnership with other elements of society;
- and, social responsibility and citizenship far from being a burden just for the private sector - concerns active citizenship by all actors in society.

By way of synthesis there are two components to our definition of corporate citizenship:

1. Corporate citizenship involves companies understanding that they are both public and private entities. They are creatures of society and derive their legitimacy from the societies in which they operate. They need to be able to articulate and support their understanding of their role, scope and purpose.
2. Corporate citizenship involves companies understanding their social and environmental impacts and responsibilities alongside their financial responsibilities. These responsibilities include both aspects of regulation, such as financial reporting and health, safety and labour laws, and, society's wider license to operate.

## **Organisational Strategies for Corporate Citizenship**

### **Institutionalising Corporate Citizenship**

This section looks at ways in which corporations can become corporate citizens, or indeed *good* corporate citizens, through processes of institutionalisation, operationalisation and developing capability. Allied to these learning strategies we have included some examples of recent voluntary corporate citizenship initiatives that have developed through social dialogue. Finally, in this section, there is a discussion on performance indicators for corporate citizenship.

Faced with such a wide-ranging and intrinsically transformational agenda, it is not surprising that firms are asking, how should we go about institutionalising these new values and ideas? To appreciate the possible routes for change it is useful to reflect on what we understand the processes of institutionalisation to be about, and the different levels at which these processes can occur.

Institutional perspectives argue that firms operate within a social framework of norms and values that govern what constitutes appropriate or acceptable behaviour. In this context, choices are constrained not only by economic criteria but also by socially constructed limits, such as norms, habits and customs.<sup>21</sup> Those activities that become accepted in this social context and are not directly reliant on [economic] rewards become 'taken for granted' and endure as the orthodox way of operating or behaving. As long as an activity remains legitimate, or it is insulated from change, then it will persist or be institutionalised.

The difficulty arises when existing activities and ways of operating no longer conform to, or are appropriate for, society's expectations. Routines and habits are hard to break, even when they no longer serve the company well. To understand the problems of change, it

helps to view institutional activity at three levels: the individual; the firm; and inter-firm.

- At an individual level, we are concerned with managers' norms, habits and conformity to tradition.
- At the firm level, institutional activity is expressed in corporate culture, shared beliefs, political processes and organisational structures.
- At the inter-firm level, structure and activity within a particular sector will reflect the pressures of government, society, civil society alliances and industry groups.<sup>22</sup>

The corporate citizenship agenda with its emphasis on human rights, fair workplace practices and consideration of the natural environment is progressively redefining the context within which companies operate. In other words, the socially constructed norms that have influenced the way companies choose to conduct their activities, are changing. Increasingly, there is a need for company activity to be transparent and accountable to an expanded constituent group. New circumstances require new ways of working, and to embed these ideas and values in a firm means addressing changes at the three levels suggested. Figures 2,3 and 4 suggest different mechanisms that firms may wish to employ.

**Figure 2: Institutionalising Corporate Citizenship - Individual Level**

- Provide training on citizenship issues, tailored to employees needs in the work and management environment.
- Use, cascade and action learning techniques that allow for shared experience and reflection on learning. Examples include, cascade training for environmental management at the former Rover Group, and employee involvement in training needs analysis at BASF.<sup>23</sup>
- Develop recruitment procedures to build and enhance in-house knowledge and competence of citizenship concerns.
- Expand performance targets, rewards and incentives beyond traditional [economic] markers of achievement.<sup>24</sup>

**Figure 3: Institutionalising Corporate Citizenship - Firm Level**

- Encourage empowerment of the individual through participatory decision-making.
- Generate a clear vision for the company with well-articulated underlying values. Invite comments and communicate responses to encourage commitment and loyalty. See for example, Shell's 1998 report 'Profit and Principles – does there have to be a choice?'<sup>25</sup>
- Share information across organisational levels to create trust and remove hierarchical barriers.
- Use teams, and work across functions, to share ideas and stimulate creativity. For example, Herman Miller's (the German furniture manufacturer's) use of ephemeral teams to address specific environmental issues.<sup>26</sup>

**Figure 4: Institutionalising Corporate Citizenship - Inter-firm Level**

- Engage with industry associations to debate the issues and develop appropriate codes and standards.
- Participate in business forums that raise awareness, educate and provide training in the area of corporate citizenship. Established examples include the Prince of Wales International Business Leaders Forum (IBLF) in the UK, and the World Business Council for Sustainable Development (WBCSD).<sup>27</sup>
- Contribute to cross-sector citizenship initiatives that involve civil society groups and government. For example, the Ethical Trading Initiative (ETI) in the UK (see Figure 8).<sup>28</sup>
- Work along the supply chain with contractors and suppliers to develop and change practices. See for example Levi Strauss and Co.'s Global Sourcing Guidelines.<sup>29</sup>

In essence what the institutionalisation of corporate citizenship ideals requires, is an organisational climate that promotes and encourages *learning*. This includes recognising and addressing factors that can *inhibit* learning such as management loyalty to outdated traditions and vested interests in the status quo. This is a complex and challenging agenda, but for citizenship initiatives to be successfully supported and managed in an organisation requires the development of this *institutional capital*. Without appropriate institutional capital, citizenship initiatives fail or are delivered in a half-hearted manner. In many organisations, even those that would claim to be proactive on social issues, corporate citizenship remains a life-boat activity, essentially external to their main operations.

## **Operationalising Corporate Citizenship**

It has been suggested that, engaging with the corporate citizenship agenda requires the development a contextual environment, where the organisational culture and structure is supportive of learning and change. However, this condition alone is not sufficient to ensure that citizenship initiatives are delivered. Realising new visions and values, through various schemes and initiatives, can require new and/ or adapted organisational competencies. Specifically, the cross-boundary nature of citizenship suggests the need for organisational capability in a range of areas that include:

- good governance;
- political and social awareness;
- responsible supply chain management;
- stakeholder management;
- human rights;
- business ethics;
- pollution prevention;
- product stewardship and clean technology.<sup>30</sup>

How then do organisations develop these and other appropriate capabilities? Crucial here is an understanding that key capabilities are realised through the cumulative growth of skills and resources. For example, as indicated in the introduction, the ability to work in partnership with a range of organisations is a key resource for organisations looking to make positive moves forward in this field. It is the development of these partnership skills that will over time, be realised as a ‘stakeholder management’ competency. The relationship between key resources and the development of citizenship 0competencies is illustrated in Figure 5 below.



**Figure 5: Citizenship Capabilities – A Summary Framework.**

(This is a simplified representation that excludes a range of ‘moderating factors’ that may influence the development of skills and resources).<sup>31</sup>



The figure suggests that much of the learning necessary for the development of citizenship capabilities occurs at the level of the firm and the individual. Therefore, while capabilities may be acquired, for example, through mergers and acquisitions, the most enduring foundations are built by development from within. In order to do this, firms need to engage with initiatives that promote learning, and focus on identified skills development.

The growing prominence of citizenship concerns means that the range of available initiatives focusing at operational and managerial levels has expanded considerably in recent years. In the following

boxed sections, figures six, seven and eight, a number of initiatives are considered. Some are established and others are emerging, as the corporate citizenship agenda matures. In each instance, they are highlighted as useful examples because they address a range of issues that corporations need to consider when working towards the operationalisation of citizenship issues. These issues include:

- Training needs and organisational change, both structural and cultural;
- Compatibility with existing organisation systems and other [citizenship] initiatives;
- Performance improvement;
- Standards, certification and reporting.

Here are three examples of voluntary corporate citizenship initiatives on environment management, social auditing and ethical trade.

### Figure 6: ISO14001

ISO 14001 is one of a range of voluntary industry standards, produced by the International Organisation for Standardisation, launched in 1996. The 14000 series, to which ISO 14001 belongs, provides a framework for the private sector and others, looking to manage their *environmental issues*. The standard focuses on organisational processes, not necessarily their products or environmental impacts. Specifically, the standard describes how a firm might manage and control its organisational system so that it measures, controls and continually improves, the environmental aspects of its operations. ISO14001 embraces five key elements:

- an environmental policy;
- an assessment of environmental aspects;
- an assessment of legal and voluntary obligations;
- a management system and;
- a series of periodic, internal audits and reports to top management.

The development of the standard, and its use when compared to other initiatives in the field (see for example, the Eco-management and Audit Scheme, EMAS) has been the subject of extended debate.<sup>32</sup> However, for the purposes of this paper the focus is on those aspects of this initiative that may contribute to the development of key resources underlying citizenship capabilities. The development of policy requires that senior management cultivate an understanding of the nature and scale of the environmental aspects associated with their companies' activities. This stage of awareness development and commitment to change around environmental issues, has arguably, been the first rung on the ladder for many companies now working on broader citizenship issues.

The central part of engaging with ISO14001 is the development of the management system itself. This includes establishing procedures, documentation and operational control of the system. Crucial here, is the 'human' element of the system. That is, developing an awareness and understanding of the issues amongst the workforce through targeted training and the allocation of responsibility. It is this part of the system development (in terms of building an understanding around the issues as well as the technical and managerial knowledge of how to tackle environmental concerns) that forms the core building blocks for capabilities such as pollution prevention.

While environmental management may be considered only one part of the citizenship agenda, it has for many organisations acted as the catalyst for change. A significant contribution has come from initiatives such as ISO 14001 because this tool has provided a framework to allow organisations to systematically address the issues. In particular, a focus on management and *process* has allowed companies the opportunity to develop an internal 'competency to deliver' in anticipation of future legislative change and stakeholder demands.

**Figure 7: AA1000S<sup>33</sup>**

AA1000S was launched in 1999 by the Institute of Social and Ethical Accountability (AccountAbility). The Institute is a not-for-profit professional membership organisation built through a coalition of businesses, non-governmental organisations (NGOs), business schools and service providers. The focus of AA1000S and its forthcoming revision is on the social dimensions of an organisation's accountability. The standard comprises both the *principles* of a quality standard and a set of *process* standards that cover five stages:

- planning;
- accounting;
- auditing and reporting;
- embedding and;
- stakeholder engagement.

The evolution of AA1000S has been stimulated by a recognition that organisations need guidance both to develop social and ethical practice, and crucially, to construct more progressive relationships with an expanded range of stakeholders. AA1000S makes reference to, and builds on, previous quality inspired initiatives such as ISO9001 and ISO14001. This means that the systems developed and lessons learned from previous management initiatives, remain *relevant and applicable* to the new challenges brought by social concerns. However, the innovation brought by AA1000S comes from the initiative's explicit support for *organisational learning* alongside performance improvement. If we reflect on the expressed need for the development of appropriate resources and skills for corporate citizenship, then it is clear that a system which focuses expressly on creating conditions for learning and professional development, will contribute directly to these aims. Engaging with AA1000S will see a focus on effective methods for communication with stakeholders, as well as an opportunity to learn from this engagement. As a result, participant organisations will gain expertise in operationalising initiatives whose success depends for example, on partnerships with civil society groups.

**Figure 8: The Ethical Trade Initiative (ETI)<sup>34</sup>**

In common with each initiative discussed above, the UK's ETI focuses on a particular area of corporate citizenship - managing an organisation's *supply chain* in a socially and ethically responsible manner. The ETI was launched in 1998 with the aim of bringing together different sectors of society and harnessing their collective strengths to bring improvements to the lives of poor working people around the world. In order to do this, the ETI encourages the endorsement and adoption of a series of base codes, drawn from International Labour Organisation (ILO) conventions. Specifically, the ETI seeks to encourage a *shared approach* to the sourcing of goods and services that leads to a raised standard of living for workers around the globe. Unlike the initiatives considered above, the ETI does not involve the adoption of a management system. However, engagement with the ETI does require a series of *management steps* that include:

- the establishment of commitment and a clear policy;
- training, communication and the allocation of responsibility;
- monitoring, auditing and planning for improvement and;
- engagement with a range of identified stakeholders.

Companies that commit to working with the ETI co-operate with at least one pilot scheme that may target certain products or suppliers, or focus on a particular country (for example, clothing manufacture in China or banana production in Costa Rica). This pilot work provides the opportunity to develop improved practice and to test methods for monitoring and verification. This work is reviewed, with progress reported on an annual basis.

This commitment to public reporting communicates a transparency and accountability in the way supply operations are conducted. For companies operating a global supply chain involvement with ETI provides an opportunity to develop approaches that take into account the views and perspectives of key stakeholders. This inclusivity has become increasingly important in an era when gaining and maintaining public trust and confidence is dependent on establishing a track record of openness.<sup>35</sup> For companies looking to build key skills around ethical supply, initiatives such as the ETI provide experience, methods and tools within a supportive framework. It is this type of engagement that will facilitate a more effective operationalisation of ethical sourcing in the future.

In this section, it is suggested that the operationalisation of corporate citizenship depends on developing a range of identified skills and resources that form the foundation of citizenship competencies. In order to do this, companies may need to progressively engage with the growing range of citizenship initiatives. The discussion has highlighted several prominent initiatives on the basis that they include guidance on the internal management of change, involve working with partners, and in some cases, encourage organisational learning as an intrinsic part of the development process. There are however, no simple solutions and an important issue for companies stepping into the citizenship arena, is the need to investigate and determine which initiatives will be most suitable for their organisation in the medium and longer term.

## **Developing Performance Indicators**

Measuring and monitoring performance, and developing indicators of performance, is not a new activity for business. Performance management has long been a key part of company operations and has typically been tied to financial measures of cost, revenues and profit. The rationale for these activities has therefore been linked to core familiar, business principles. The issues embraced by corporate citizenship are, however, less easily framed and do not necessarily link well or directly to financial metrics. As such, the reasons 'why' companies should be looking towards developing indicators in the area of corporate citizenship are broader than those associated with economic criteria. Factors include:

- A recognition that company systems may benefit from the re-evaluation brought by engaging with corporate citizenship issues. New targets and measures can stimulate the search for better ways of managing and working, both structurally and culturally;

- Informing and engaging all stakeholders, particularly those who are either involved or interested in the activities and outputs of the company;
- Meeting and where possible raising the ceiling of standards in the areas of citizenship, be they voluntary or regulatory;
- Communicating on a wider scale the impacts and contributions of the company to sustainability at local and global scales.

The requirement to develop performance indicators has occupied those focused on the environmental elements of citizenship for a significant period.<sup>36</sup> Indeed, frameworks for measuring environmental performance are amongst the most established and have benefited from the standardisation of environmental management practice around ISO14001 (see Figure 6).<sup>37</sup> The pervasive sense that these non-financial aims and outcomes will only 'count' when they are effectively measured, has led to environmental performance being evaluated through a combination of quantitative and qualitative measures. However, the need to legitimise these measures continues to see the 'twinning' of environmental and social practice with financial metrics and benefits to 'core' business activity (Zadek 2001).<sup>38</sup> A key example is the Dow Jones Sustainability Index (DJSI), which has attempted to show that companies screened by their social and environmental performance, perform as well as the equivalent unscreened portfolio indexes.<sup>39</sup>

While this need to prove the link between engaging in environmental and socially responsible practice and improved financial performance is unlikely to diminish, the key debate in the development of indicators has more progressively shifted to ask questions about the deeper 'value' implications of this form of communication. Therefore, in this discussion, the relevance of indicators arguably lies less in their financial worth, and more in whether the information they communicate is understood and of use to those receiving it.

From this perspective the development of indicators is not only about the intrinsic ability of the company to collect and produce data, but more importantly it is about dialogue with interested stakeholders. As such, it is suggested that indicators will emerge through a *process*, rather than being based on a set of norms. Basic principles and issues that a company might want to consider when developing indicators, include:

*Internally:*

- identifying key areas of company activity and output and determining meaningful measures;
- ensuring that the measures are appropriate and understandable for those acting on them;
- involving employees with indicator development, to encourage commitment;
- ensuring that indicators are consistent with policy objectives.

*Externally:*

- inviting the involvement of key stakeholders with indicator development from the outset;
- using stakeholder participatory techniques to grow transparency and accountability;
- listening to feedback and criticisms, and;
- being prepared to 'trial' and review indicators that do not 'work'.

Developing indicators therefore involves working on the basis of clearly articulated policy and value objectives (see Figure 3) in partnership with stakeholder organisations. Crucially though, this process cannot occur in a vacuum and companies need to be cognisant of the growing range of standards being promulgated in industry sectors both nationally and internationally. One initiative that



is working to unite the vast range of approaches by developing a standardised approach to measurement and reporting, is the Global Reporting Initiative (GRI) (summarised below in Figure 9).

### **Figure 9: The Global Reporting Initiative (GRI)<sup>40</sup>**

The Global Reporting Initiative (GRI) was conceived in 1997 by the Boston-based Coalition on Environmentally Responsible Economies (CERES) in collaboration with the Tellus Institute. Over the last five years, the GRI has evolved into a set of reporting criteria on all aspects of a company's performance. The initial draft standard was 'field-tested' in 1999 by over 20 companies and released in June 2000. The next revision is set for 2002.

In common with other corporate citizenship initiatives, this development has taken place through a new social partnership between non-state actors that include businesses, NGOs and accountancy organisations. The GRI has been adopted by the UN Environment Programme (with funding from the UN Development Fund) and is now to become established as an independent organisation. The GRI is built on the simple premise. By providing a broadly agreed mechanism, reached through negotiation between the partners in the process, to measure environmental and social performance, the GRI aims to assist investors, governments, companies and the wider public to understand more clearly the progress being made towards sustainability. The use of a common framework is seen as a way to improve related analysis and decision-making. For example, the guidelines suggest the following (summarised) approach for reporting on energy:

- a measurement ( in joules) of total energy usage;
- a broad indication of the types (e.g. primary sources) and uses of that energy;
- initiatives taken towards renewable energy sources and energy efficiency.

The guidelines provide assistance on the format and content of reports, as well as information on how to normalise and verify data. In addition, work is being undertaken by accountants to adapt traditional principles to this new form of accounting. As noted above, it is now increasingly being recognised that conventional financial measures do not capture the intangible assets being considered by this broader based measurement of company performance.

It is inevitable that some companies will experience difficulties applying the guidelines and some stakeholder groups will be critical that the performance measures are not sufficiently detailed and challenging of company activity. However, for companies looking to develop a consistent approach that will be robust amongst the range of external benchmarking work being undertaken by NGOs and investors (for example, FTSE4Good) the GRI provides a clear path through a densely populated field.<sup>41</sup>

We have outlined some basic issues for consideration in the development of performance indicators for citizenship. While companies may wish to draw on existing experiences of performance measurement, there needs to be a recognition that indicators for citizenship break the cast of traditional, financially oriented measures. Developing indicators therefore involves new approaches, working with stakeholders internally and externally. As such, indicator development is evolutionary and companies embarking on this process, or seeking to consolidate their work in this area, can benefit from the frameworks being constructed by multi-stakeholder groups.

This first part of the paper has explored some of the key issues associated with operationalising and institutionalising corporate citizenship. In the second part of this paper the discussion explores the rise of non-governmental organisations and examines how these organisations are interacting with business and influencing change.

## **The Evolving Relationship Between Non-Government Organisations (NGOs) and Corporations**

### **Introducing Non-Governmental Organisations**

The acronym NGO, which refers to *non-governmental organisation*, has become common currency in discussions that embrace civil society and the relationship between this sector, governments and markets. While the term 'NGO' is frequently applied in both the research literature and in the popular media, it is less clear whether this common usage is complemented by a shared understanding. Rather, it appears that conversations about or relating to NGOs are often formed on the basis of individual constructions that are associated with high profile or distinctive organisations.<sup>42</sup> As such, any debate that involves NGOs may be tempered by divergent interpretations.

NGOs themselves, and their associated literature, have a long and rich history rooted in development studies and social history.<sup>43</sup> In recent years, this has been complemented by a growing interest in the activities of both new and existing NGOs, which has been expressed in a range of disciplines including sociology, economics, law, management and the environmental sciences.<sup>44</sup> The discussion in this paper seeks to bring some clarity to our comprehension of NGOs by selecting, where appropriate, contributions from those aspects of the field which best explain the changes we are witnessing in this area. In particular, the focus here is on the recent literature, which reflects the increasing level of interaction between NGOs and businesses.<sup>45</sup>

## **Definitions of NGOs**

Free civil societies embrace NGOs as representing organic diversity, innovation and creativity, just as they see trade or labour organisations as important representative bodies for collective workers. It is difficult to generalise about the huge diversity of organisations,<sup>46</sup> but it is useful to consider just what this diversity may include. This allows subsequent conversations about NGOs to take account of this diversity, rather than treating NGOs as an homogenous group, which is how they are frequently referred to in the media and elsewhere.

NGOs may be local groups, such as resident associations or church choirs comprised of a handful of people that work together through mutual interest and towards common goals, on a small scale. Other groups, for example Amnesty International, may have a regional, national or, in this case, international presence working with thousands of people and networks around the globe. NGOs may be driven by or inspired by differing values, religious beliefs or political persuasions. So, for example, the US-based Human Rights Watch

and the Catholic Institute for International Relations in London both have a remit that relates to protecting and promoting human rights, however, the latter signals through its title, its particular religious affiliation and spiritual leaning.<sup>47</sup> An NGO can also have values and missions that are antithetical to the participatory democratic state. They may have political aspirations, or violence as their modus operandi. The media tends to see civil society activism as represented by NGOs such as Amnesty International, Greenpeace International, the Institute for Social & Ethical Accountability or Save The Children. However, there are other civil society organisations, or NGOs, that we might not be so happy to legitimise such as the National Rifle Association, the Klu Klux Klan, Al Qaeda or the Animal Liberation Front. Of course, between these two extremes are a myriad church groups, local childrens' play groups, golf clubs and horticulture societies. Attention has tended to focus on NGOs seeking publicity and not the milieu of silent, organic civil society activities and organisations that are part of the social fabric of all human life on the planet.

While ideologies vary, so too may the NGOs' focus or outlook. Some organisations choose to centre their attention on environmental issues, others on development or poverty alleviation. Names such as the World Wide Fund for Nature, Oxfam, Action Aid and the Whale and Dolphin Conservation Society have all become synonymous with work in specific, recognisable areas.<sup>48</sup> Therefore, the work of NGOs may be undertaken around single issues, or, across a range of related fields in areas such as community or environmentally sustainable development.

With this scope of activity it is inevitable that organisations will vary in how they conduct their affairs. Some organisations will be identifiable by their academic, research-oriented perspective, for example, the International Institute for Environment and Development.<sup>49</sup> These research activities may involve the development of standards and

codes for benchmarking as well as the provision of independent information for professional and public consumption (see for example, CERES, the Coalition for Environmentally Responsible Economies).<sup>50</sup> In contrast, others will choose to adopt an outspoken or coercive stance through the expression of opinion, frequently using the popular media as a medium (see, for example, Corporate Watch or Greenpeace).<sup>51</sup> What is notable is how these differing styles and methods of engagement contribute to the profile, public recognition and perceived credibility of the various groups and the issues.

Crucial is a recognition that this 'public face' can also mask a huge variety of organisational structures. Many NGOs, with a media presence may actually operate using a handful of individuals working on an informal, voluntary basis. Some NGOs draw funds from public and / or private sources, while others are founded on a substantial membership base. For instance, Greenpeace International has some 1.2 million members worldwide, as does Amnesty International, and Europe's largest single interest group, the Royal Society for the Protection of Birds (RSPB), has 1.1 million members in the UK.<sup>52</sup> This means that their accountability and governance structures span the entrepreneurial-institutional spectrum, with an increasing number demonstrating the resources and organisation of professional organisations.

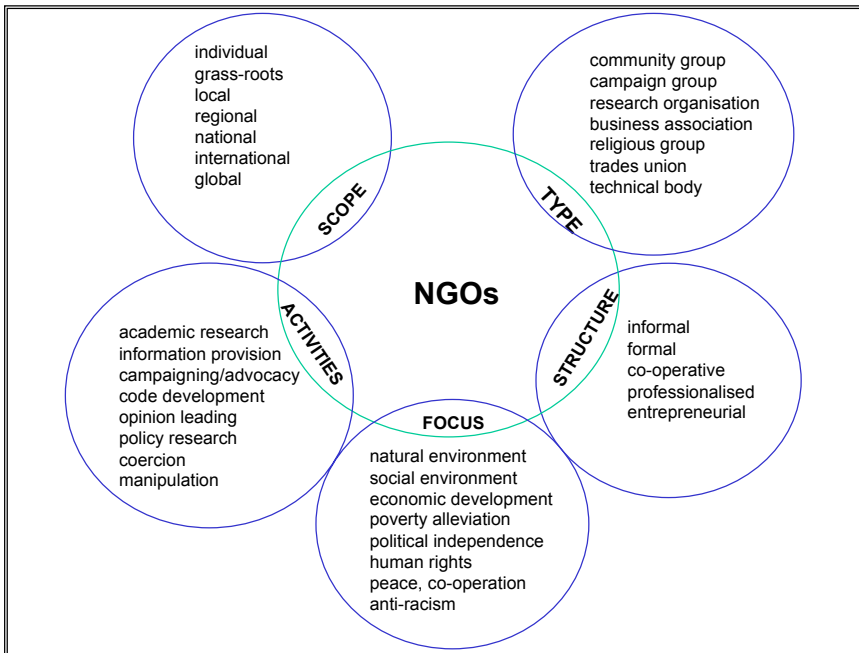
NGOs are therefore a diverse and heterogeneous group of organisations whose numbers have grown significantly in the last decade. Figures that describe this situation fully have yet to be produced with any accuracy, but the following statistics provide an indication of NGO growth.

- The Union of International Associations, which gathers global statistics on NGOs, in 1999 estimated that there were more than 50,000 international or trans-national NGOs (INGOs).<sup>53</sup>

- Of these groups approximately well over 1000 have consultative status with the UN Economic and Social Council.<sup>54</sup>
- In England and Wales there were more than 186,248 registered 'non-governmental' charities at the end of 1998.<sup>55</sup>

The issues discussed in this section are summarised in Figure 10.

**Figure 10: NGO Characteristics.**



## **Providing Context**

In order to understand why NGOs have expanded so significantly over the last decade it is important to be aware of several linked trends: the rise of, and changing definition of, civil society; the 'death of deference'<sup>56</sup>; stakeholder empowerment<sup>57</sup>; and the emergence of globalisation.

The term civil society has been used to describe those activities that fall outside the state (political) and business (economic) spheres.<sup>58</sup> A leading US commentator, Sandra Waddock, describes civil society as composed of, "... organisations and associations that constitute community" and states "that its [civil society's] fundamental purpose is to construct relationships between social institutions and people that give meaning to the terms civility and community."<sup>59</sup> A British commentator, John Keane says, "Civil society describes and envisages a complex and dynamic ensemble of legally protected non-governmental institutions that tend to be non-violent, self-organising, self-reflexive, and permanently in tension with each other and with the state institutions that frame and constrict their activities."<sup>60</sup> Since the bombing of the World Trade Center in New York on September 11 2001, many would question whether this latter description now holds. Terrorist and liberation groups have many of the characteristics listed above, but many are certainly *not* non-violent. Just as we need to decide which businesses enable the realisation of the common good, so too it is necessary to decide which NGOs are antithetical to the notion of civility and community.

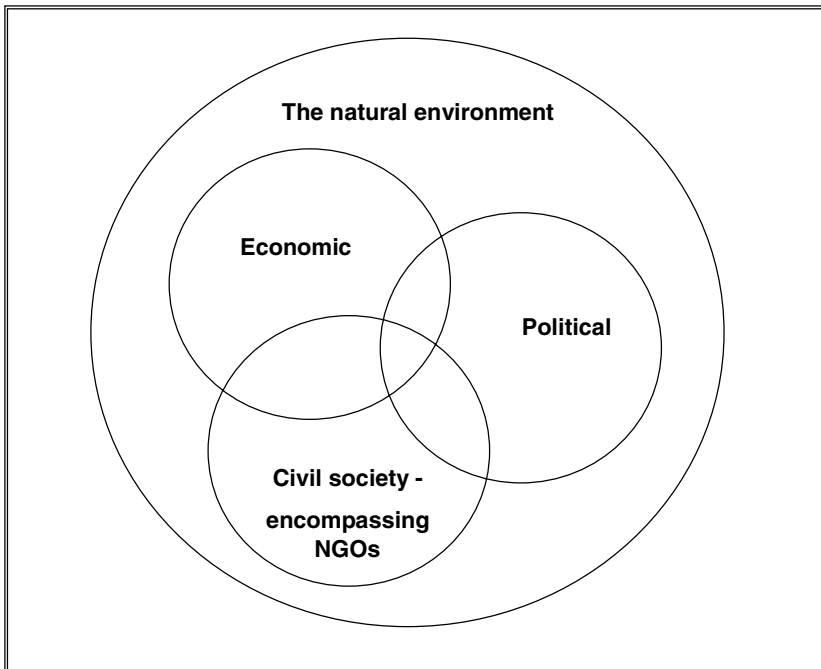
The overarching focus of NGOs towards building social capital<sup>61</sup> and pursuing values of relationship, places them firmly in the civil society sphere (see Figure 11). The rise of civil society has been ascribed to a growing disillusionment, with public sector institutions and established systems of governance.<sup>62</sup> People have become alienated from these institutions established to serve them and have sought to



build new forms of association that better reflect their values, aspirations and goals. NGOs have emerged as result of the frustrations brought by existing institutional structures and have thrived by progressively influencing both public policy and, increasingly, the market agenda.

**Figure11: The Three Spheres of Human Civilisation**

*(In this representation the spheres are balanced and underpinned by a healthy natural environment.) Source: Adapted from Waddock (2002) and others.<sup>63</sup>*



Part of this rise of has been attributed to what has been described as the 'death of deference' or a decline of trust and respect for both public institutions and private organisations<sup>64</sup>. In the UK, for example,

this lack of trust was characterised by the public response to the BSE (bovine spongiform encephalopathy) crisis. As stories of inaccurate government briefings and systematic illegal practices in the meat industry emerged, increasingly answers were sought, not from the scientists and government officials, but from organisations such as the Soil Association.<sup>65</sup> This public cynicism has also been reflected in attitudes toward business, where increasingly the extent to which large profits are viewed as contributing to the public good has been questioned.<sup>66</sup> While these changes have required both governments and businesses to review the way they conduct their affairs and communicate with constituents, they have also driven the growth of those NGOs that stepped in to fill (in this example) the information void.

A third key factor explaining the expansion of the NGO sector has been the emergence and realisation of the forces of globalisation. The term globalisation has become much like 'sustainability' in that its meaning and use is the subject of intense discussion and disagreement. Both terms share the difficulties of understanding the issues and links between economic, social and environmental dimensions. There are however some basic realities that characterise the globalisation process.<sup>67</sup> These factors include: the expansion of information technology and electronic communication; mobility brought by declining transport costs; the importance of mobile assets such as finance and knowledge; deregulation and the changing role of the nation state; and the liberalisation of markets.<sup>68</sup> While globalisation may bring benefits, it has also been credited with reinforcing the inequality that arises from a world of unequal producers and consumers, where the triumvirate of North America, Europe and Japan become wealthy in contrast to poorer nations. The rise of NGOs in this context reflects a belief that civil society can act as a countervailing force to some of the negative aspects and inequity brought by the market and the perceived declining authority of states. In particular, NGOs have engaged with some of the cultural elements

of globalisation and have looked towards generating non-exploitative relationships. In essence, therefore, globalisation may also be considered to be producing a global civil society.<sup>69</sup>

## **Mapping NGOs**

The previous sections of this paper have provided an overview of the range of organisations that definitionally fall into the category of NGO. In doing so, attention was given to the diversity of characteristics displayed by these organisations. An appreciation of these differences is important because it goes some way towards dispelling the picture of NGOs (frequently presented in the popular media) as always being campaigning, direct action entities driven by hard-line, predominantly left-wing constituents. In reality, NGOs represent the full spread of views and values embraced by civil society from local to global, and therefore, businesses seeking to understand these organisations need to look more closely at each group's individual motivations and goals.

One of the few attempts to 'map' NGOs in this way was undertaken by the consultancy SustainAbility, who conducted a project for BP in 1996.<sup>70</sup> The aim of this work was to help the company to understand and evaluate NGOs in terms of potential partnerships. The resulting typology categorised NGOs along two dimensions. First, organisations were considered by the extent to which they sought to 'integrate the role of businesses and interest groups' in order to achieve [environmental] goals. Second, NGOs were categorised on the basis of whether they discriminated against companies within an industry 'with respect to their real or perceived environmental commitment and performance'. The results used marine species to characterise the differing behaviours of various NGOS, as shown in figure 12.

**Figure 12: NGO Typology**

(SustainAbility, 2000)

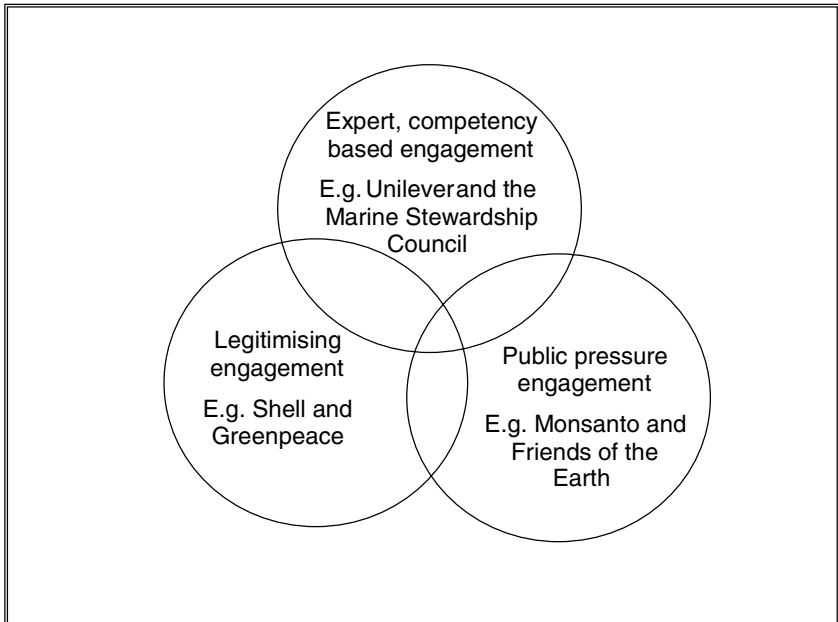
<b>NGO Characteristics</b>	<b>Polariser:</b> <ul style="list-style-type: none"> <li>• Business unfriendly;</li> <li>• Avoids alliances with companies;</li> <li>• Prefers confrontation to collaboration.</li> </ul>	<b>Integrator:</b> <ul style="list-style-type: none"> <li>• Business friendly;</li> <li>• Seeks productive relationships with companies;</li> <li>• Prefers collaboration to confrontation.</li> </ul>
<b>Discriminator:</b> <ul style="list-style-type: none"> <li>• Scrutinises company performance;</li> <li>• Takes relative environmental progress into account in target and partner selection.</li> </ul>	<b>Orca</b> <ul style="list-style-type: none"> <li>• Intelligent and strategic;</li> <li>• Can adapt behaviour but prefers to use fear;</li> <li>• Appears fierce;</li> <li>• Associates with its own kind.</li> </ul>	<b>Dolphin</b> <ul style="list-style-type: none"> <li>• intelligent and creative;</li> <li>• adapts behaviour but strategic in approach;</li> <li>• can fend off sharks;</li> <li>• can be loner or intensely social.</li> </ul>
<b>Non-discriminator:</b> <ul style="list-style-type: none"> <li>• Ignores company performance;</li> <li>• Tends to view all companies as fair game.</li> </ul>	<b>Shark</b> <ul style="list-style-type: none"> <li>• Relatively low intelligence</li> <li>• Tactical but indiscriminating in terms of targets;</li> <li>• Associates with own kind;</li> <li>• Swims and attacks in packs.</li> </ul>	<b>Sea Lion</b> <ul style="list-style-type: none"> <li>• moderate intelligence;</li> <li>• tactical &amp; friendly;</li> <li>• menu item for sharks and orcas;</li> <li>• safety in numbers, stay in shallow waters.</li> </ul>

The typology is useful for companies as it takes a more detailed look at NGOs from a behavioural perspective and considers the way they operate and how they might respond in different situations. This is strategically valuable information for companies considering closer connections to NGOs. The work could, however, be criticised for its corporate-centric approach, as well as for producing groupings that simplify the situation, and do not necessarily reflect the full scope of NGOs operating today.<sup>71</sup> It is, however, a more rigorous and analytic approach than continues to be displayed in the media. For example, a 2001 article in the Financial Times, reporting on the anti-globalisation debate, described NGOs as either '*fluffies*' or '*spikies*' which arguably contributes to the stereotypical perspectives of NGOs that more intelligent analyses have sought to dispel.<sup>72</sup>

A more progressive mapping of NGOs recognises these differing levels of engagement but makes explicit the growing scenario that sees NGOs marrying confrontational approaches with 'business friendly' tactics simultaneously. Zadek (2001) considers three potentially overlapping stances, that his analysis indicates are increasingly intertwined, see Figure 13.

**Figure 13: NGO approaches to changing the world.**

*Source, adapted from Zadek, (2001). Many NGOs adopt a fluid position, and may move between or occupy more than one position at any one time.*



Future classifications need to consider the characteristics considered in section two: type; structure; focus; activities; and scope - as well as the behavioural aspects contained in these business-NGO typologies.

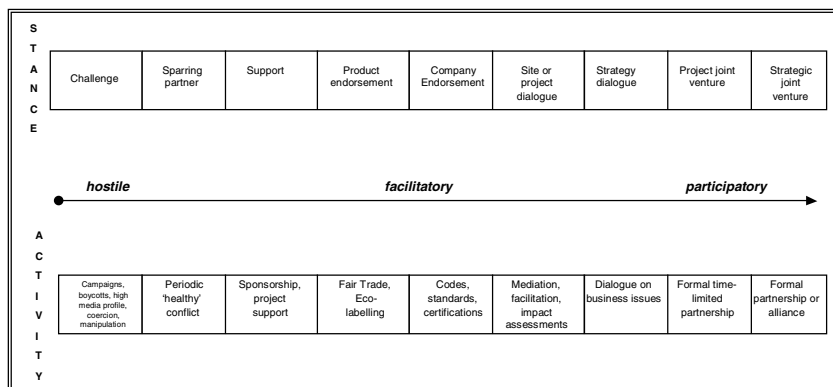
## **The Role of NGOs**

Our consideration of changing context, and illustration of the heterogeneous nature of NGOs, points to a variety of roles that these organisations may adopt. As indicated above, on a macro scale,

NGOs are increasingly playing a key role in forming and developing the response of civil society to the changes brought by globalisation. Currently these roles may include constructive engagement, embracing globalisation as a social revolution or more radically looking to de-link activity from the world economy and work towards a more self-reliant local civil society. Within this broader framework it is possible to envisage a number of roles that NGOs may perform, particularly when engaging with business. Figure 14 suggests a continuum of company-NGO relationships.

**Figure 14: Company/ NGO relationships**

(adapted from Elkington and Fennel, 2000)



At one extreme we see the most *challenging*, hostile relationships, in which companies and NGOs come into conflict. This position, which produces the stereotype of NGOs most frequently presented in the popular media, sees the NGO adopting a confrontational stance. This role is characterised by high profile campaigning against companies, often on a 'single issue' basis. The use of the internet to bombard company sites with email communications so that they will 'crash' or, to co-ordinate campaigns (as occurred during the NGO opposition to the Multilateral Agreement on Investment) are



increasingly common tactics.<sup>73</sup> While this role is one of the most difficult and potentially most damaging for companies to deal with, it has arguably forced decision-makers to recognise NGOs and reassess their relationship with these organisations. The interactions between Shell and Greenpeace following the Brent Spar incident illustrate this point.<sup>74</sup> One response to the role of NGO as 'challenger' has been for companies to pre-empt negative press through media campaigns of their own. Monsanto's 1998 UK advertising campaign in support of genetically modified organisms (GMOs) saw them '*sparring*' with NGOs and inviting responses.<sup>75</sup> However, the continued wariness of Europeans (the world's largest consumer group) towards GMOs, and the rush for organic produce, suggests that these communications were treated with some scepticism.

A more progressive but 'arms-length' relationship has seen both NGOs and companies adopting a mutual *support* role. In these instances, companies may choose to support select NGOs or projects through financial aid and gifts in kind such as secondments. Patagonia Inc, for example, allows paid leave of absence for employees to work with environmental non-profit organisations.<sup>76</sup> This enables NGOs to benefit from the commercial expertise of employees but also provides an opportunity to educate company workers about NGOs and their practices from the inside.

A key role that NGOs are increasingly playing on a global basis, is in the development, administration and promotion of standards, codes and certifications. These initiatives embrace a range of citizenship principles and include issues such as human rights, labour standards and the environment. Representative examples include the development of the Ethical Trade Initiative in the UK, which was launched in order to develop best, ethical practice along company supply chains, and was profiled earlier. Commitment to and ongoing involvement with the initiative means that member companies will

benefit from *product endorsement*. Similarly, some NGOs have sought to develop standards that bring together existing but fragmented codes of conduct. SA8000, which was launched by the Council on Economic Priorities Accreditation Agency in 1997 (now known as Social Accountability International), explicitly addresses workers rights and includes a requirement for external monitoring. The position of the Council on Economic Priorities (CEP) as a 'bridging NGO', able to embrace other social auditing initiatives, gave it an important convening role.<sup>77</sup> These examples illustrate clearly how NGOs are taking a leading role in formulating standards that impact and have direct relevance to the commercial activities of companies. By working with NGOs on these initiatives companies are stimulated to promote change throughout their operations which, with ongoing commitment, can bring benefits that include *company endorsement* and vice versa.

The role of the NGO as *facilitator* comes more sharply into focus where both companies and NGOs make a positive choice to engage formally in communication and agenda setting. This may occur for individual projects or extend into *strategic dialogue* in relation to core business issues. The UK-based utilities company Wessex Water, which until 2002 was part of Enron, worked closely with Jonathon Porrit from the leading NGO, 'Forum for the Future' during the development of new company headquarters. This *project dialogue* contributed to the successful completion of an award winning building that incorporates fundamental principles of sustainable development.<sup>78</sup> In February 2002, their headquarters in Bath was named 'global building of the year' by the Royal Institution of Chartered Surveyors.

It was noted previously that Shell has experienced a number of conflict situations with NGOs (in relation to the disposal of Brent Spar and operations in Nigeria). These critical incidents brought into focus ongoing difficulties and convinced senior-level employees that the

company needed to engage more openly with its stakeholders.<sup>79</sup> A series of high-level negotiations with a range of leading NGOs ensued, illustrating the emerging role of NGOs as contributors to strategic, long-term change in organisations.

This progression towards more participatory working, that aims to share the critical issues and challenges facing organisations, is beginning to lead to long term *joint ventures* between NGOs and companies. A leading project in this area is the Global Reporting Initiative (GRI), which was profiled earlier. This uses a multi-stakeholder approach involving business and the NGO community to 'develop, promote and disseminate an accepted framework for voluntary reporting of the economic, environmental and social performance of an organisation'.

In this section we have outlined a range of possible roles adopted by NGOs, that authors have documented in their studies of NGO-business relationships. The spectrum remains broad and there is no necessary progression or evolution towards a participatory stance. Important, however, is the recognition that the primary concerns of NGOs 'do not automatically make them hostile to companies'.<sup>80</sup> In fact, as noted previously, NGOs are increasingly combining a number of roles that can see them working with other like-minded NGOs as well as business and government. As such, companies need to be increasingly aware that NGOs can and do adopt different stances dependent on their particular experiences and goals.

## **The Scope of NGOs**

Previous sections of this paper have indicated how NGOs have become an established part of the business landscape. In particular, there is now a rich discussion and much analysis of the challenges and opportunities brought by the various levels of interaction between

businesses and NGOs. This volume of research gives an important indication of the growing reach of NGOs.

Perhaps the most important reflection of this scope has been the emergence of NGOs as the 'civil regulators' and trend-setters of the twenty-first century. The role of NGOs in terms of filling the gaps left by apparently shrinking states, and shaping the rules and norms of business behaviour, means that they have become increasingly influential. Whilst their remit to exert this influence is not without its critics and challengers, it has generated a momentum and agenda that few can ignore.<sup>81</sup> This influence is expressed in a number of ways.

First, the scope of INGOs may be expressed quite literally through their global reach. This global presence has, in part, been achieved by making use of the rapid spread of communications technologies. NGOs have been particularly quick to recognise the potential of the internet for alerting the world's media to causes, or issues, regardless of location. Very few companies, particularly those which are visible either through their activities or branding, can expect to operate in a sub-standard manner undetected.<sup>82</sup> This means that no corner of the planet is invisible or sheltered from external scrutiny.

New technologies have also facilitated far greater public access to information than at any time in history. This allows like-minded NGOs, driven by a committed workforce, to build extensive knowledge databases and to share this expertise more efficiently. Specifically, this enables small, local NGOs to draw on the networks and resources of larger organisations. In this way, local concerns, whether they be the plight of an indigenous group displaced by mining activity or glaciers retreating as a result of climate change, can be brought to the attention of a global audience.<sup>83</sup> The 'think global, act local' dictum that emerged from early debate around the sustainable development agenda could now, in this age of instant

communications, work both ways. This ability to act collectively on a world-wide scale has been employed in both campaign (Seattle, Prague) and partnership (ethical trade) initiatives. In this communications arena, NGOs have created new territories and successfully dominated old positions that were previously occupied by public and private institutions. Public recognition and trust (as observed below) of NGOs is at an all time high.<sup>84</sup> Indeed, conversely, Unilever now describes itself as ‘multi-local multi-national company’.<sup>85</sup>

NGOs, as noted above, are a key constituent of the civil society sphere and have increasingly sought to pursue their aims through a range of partnership approaches with organisations that include commercial corporations. It is the nature and detail of these partnerships that has opened the scope of NGOs onto another level.

More often than not, leading NGOs are now invited to forums where they share a platform with key business decision-makers. This opportunity for dialogue and consultation means that NGOs have progressively moved from commentator to participant. By building bridges between businesses and NGO activity, the opportunity for NGOs to access companies and to act as educators and trainers in their field of expertise is extended. This is significant, because it points to the sharing of competencies and cultures that bring benefits for both parties. Companies gain access to the networks and relationships developed by NGOs. For NGOs, it brings the opportunity to influence key areas of company operations and strategy as well as, in the more progressive cases, developing the more intangible facets of organisational values and culture.

Examples of business-NGO partnerships, which have been well documented, show that this is neither an easy nor a comfortable place to be for either partner.<sup>86</sup> However, they do illustrate how the scope of NGOs has progressed in such a way that their role and

influence in these partnerships has become an important facet of the new 'civil governance'.<sup>87</sup> In other words, the scope of NGOs is moving beyond 'conferring legitimacy' to working with companies seeking to demonstrate improved or changing business practices.

## **Conclusions**

This first part of this paper has taken a necessarily selective cut through some of the key issues concerning businesses engaging with the citizenship agenda. Work on citizenship is in a state of flux and businesses are witnessing changing boundaries and a redefinition of their position in society. Where the only constancy is change, those companies that remain static, or resist entering the debate, will experience difficulties in all spheres of their business. To understand how a company might best interpret citizenship will require entering into dialogue with a range of groups, and participating in initiatives that facilitate learning and encourage new thinking.

It is suggested that to successfully embed citizenship into the fabric of the company will require change at three key levels: the individual; the firm; and inter-firm. The challenge revolves around redefining the culture and, in some cases, the structural and operational elements of the company. The discussion suggested a number of practical approaches that may be employed in the development of this institutional capital.

Firms develop their competitive abilities and distinctive strengths on the basis of core competencies developed over time. It was argued that successful corporate citizenship will also depend on the development of key competence in a number of new areas. The discussion highlighted three initiatives that can assist companies in the development of the skills and resources that form the foundation of this citizenship competency development.

Transparency and accountability are key tenets of the citizenship movement and companies working in this area need to be able to communicate their progress satisfactorily. In recent years, citizenship has become 'crowded' by new codes and standards, all aimed at measuring and reporting progress. Unsurprisingly, the resulting

confusion and competition between the different codes has stalled rather than expedited substantive change. The paper suggests that indicator development is best achieved by reflecting on why companies should report, and by using basic guiding principles. In addition, one significant initiative was highlighted that is seeking to unify the disparate work in this area and provide clear guidelines for business.

This second part of this paper provides a broad overview of NGOs. It describes what this term embraces and then in subsequent sections examines how these organisations can, and do, relate to business. To understand NGOs more fully, they need to be considered in relation to a number of criteria; type; structure; focus; tactics and scope. Whilst it is possible to distinguish sub-groups, this has tended to result in media stereotyping. Generalising about NGOs is, therefore, best avoided in favour of a more informed analysis based on an individual assessment of the group or organisation concerned.

In a context of changing political structures and fast evolving market activity, NGOs have risen as significant leading institutions educating and publicising the key issues as they relate to social, environmental and economic development. This movement has a momentum and a credibility that (while not without its critics) is leading the debate about new conceptual and institutional frameworks in a global society

For business it is essential to consider how NGOs choose to pursue their aims in relation to corporate activity. Importantly, though, there is no definitive blueprint for the form of engagement that may occur. Rather, what we see is a situation of 'shifting sands' as these multifarious organisations move to redefine and re-evaluate their position in line with changing circumstances. For businesses, this suggests that relationships, of any nature, cannot be taken for granted and need to be continually reassessed.



An awareness of the ability of established and emerging NGO groups to make sophisticated use of communications technologies is important in order to understand the growing influence of NGOs. This is particularly the case when much of the available material is transmitted in a raw, unregulated form. While the scope of NGOs may be considered in this literal sense, it was suggested that the true scope of NGOs may be realised through the organisational development and reciprocal learning that should occur as a result of partnering activity. It is here, at these points of creative exchange, where old ideas are challenged and new ideas are introduced and debated, that the scope of NGOs to contribute to 'change practice' will be most effectively realised.

## **A Future Framework**

Corporate citizenship can only make sense within a political framework that recognises three features of a civilised and healthy society:

1. The strengths of the regulated free market;
2. The authority of the participatory and inclusive state;
3. The vitality of a free civil society.

A new understanding, locally and globally, of the relationship between these three sectors has to be found. In order to change we must learn new ways and unlearn old habits. Unlearning can be more difficult than learning. Reflection and reflexivity are key strategies. We must attempt conversation with the forces of inertia and corruption wherever they may be if we are to promote just, safe, healthy and inclusive societies where freedom and security are shared assets.

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