

Company Engagement with Nongovernmental Organizations from a Corporate Responsibility Perspective

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Abstract

Purpose – This doctoral dissertation examines the relationship between corporations and nongovernmental organizations (NGOs). The key research question of the thesis is the following: Why and how do companies engage with nongovernmental organizations to demonstrate corporate responsibility in different institutional contexts? The most important motives for engaging with NGOs include gaining legitimacy and knowledge, managing risk, improving reputation and increasing operational efficiency. The thesis argues that companies need to understand NGO relations in a more comprehensive and strategic way, adopt a portfolio model to evaluate NGO engagement forms and strategies, improve the assessment of business and societal outcomes of engagement as well as understand the effect of national institutional and civil society base issues on NGO engagement. Company-NGO engagement should not be seen as the primary concern of all companies in the management of operations or investment decisions, but especially large multinational companies have a lot to gain from improved stakeholder management and corporate responsibility programs.

Theories and methods – The summary part and the four articles of the thesis are grounded in concepts and theories from four related and intertwined academic literatures: those of international business, business and society, management, and civil society. One of the articles is a literature review and the other three are based on single or multiple case study methodologies. The summary of the thesis and the three case studies emphasize the corporate responsibility perspective.

Article summaries – The thesis includes four articles: A) a systematic literature review of 88 articles published in the academic fields of business and society, international business, and management analyzes the current state of research on the company-NGO interface (Kourula & Laasonen, forthcoming 2010); B) a cross-national case study of a forest products company examines the importance of institutional context on NGO-corporate relations (Kourula, forthcoming 2010); C) a multiple case study categorizes the

engagement of companies with NGOs into three corporate responsibility actions – philanthropy, integration and innovation – and examines the business and societal outcomes of engagement (Kourula & Halme, 2008); D) a longitudinal multiple case study examines the socially responsible purchasing strategies, organizational forms and tools that retail companies adopt in response to stakeholder pressure (Haltsonen, Kourula & Salmi, 2007).

Key contributions – The thesis has two main contributions: bringing geographic and institutional context to company-NGO engagement research and developing and refining corporate responsibility frameworks. More specifically, key theoretical developments of the thesis and articles are 1) building of a comprehensive framework of company-NGO engagement, 2) development of a new concept (civil society distance), 3) evaluation of a classification of company-NGO engagement strategies (sponsorship, dialogue and partnership), 4) refinement, adaptation and empirical examination of corporate responsibility models (an international CR model, a classification of CR types into philanthropy, integration and innovation and a categorization of socially responsible purchasing strategies), 5) a hypothesis regarding the business and societal outcomes of NGO engagement, and 6) the presentation of theoretical propositions related to company-NGO engagement.

Key words – Nongovernmental organization, NGO, non-profit, NPO, corporate responsibility, CR, CSR, stakeholder, institution, civil society distance, and socially responsible buying.

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Article Titles

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Kourula, A. & Laasonen, S. (forthcoming 2010). Nongovernmental organizations in business and society, management, and international business research – Review and implications from 1998 to 2007. *Business & Society*, 49(1).

Article B:

Kourula, A. (forthcoming 2010). Corporate engagement with non-governmental organizations in different institutional contexts – A case study of a forest products company. *Journal of World Business*, 45(4).

Article C:

Kourula, A & Halme, M. (2008). Types of corporate responsibility and engagement with nongovernmental organizations: An exploration of business and societal outcomes. *Corporate Governance: The International Journal of Business in Society*, 8(4), 557 – 570.

Article D:

Haltsonen, I., Kourula, A. & Salmi, A. (2007). Stakeholder pressure and socially responsible purchasing. *Finanza Marketing e Produzione* (Finance Marketing and Production), September, 47-56.

PART 1: SUMMARY OF THESIS

1. Introduction

This doctoral thesis examines the relationship between corporations and nongovernmental organizations (NGOs). It is composed of two parts: a summary introducing the topic area and providing a comprehensive framework for understanding the company-NGO interface and four articles. This introductory chapter moves from general aspects towards the specific. It begins by describing key global and national trends to set the scene and introduces the general research problem and gaps. It then provides more specific research objectives and questions to clarify the focus of the work. Finally, it defines the key terminology and presents the structure of the thesis.

1.1. Background Trends

Globalization has become a catch-all word to describe recent global developments. In past decades, important economic and political developments such as the increasing internationalization of business and economic integration have taken place. The fall of the Soviet Union and of the Berlin Wall meant a definitive “victory” to capitalism. At the same time, global inequality is on the rise and environmental issues have come to the forefront. While world population has increased rapidly in past decades, many nation states, especially European and North American countries and Japan, face the challenge of aging populations.

The Multinational Enterprise (MNE) has taken on an increasingly important role in global business and with this increase in power has come a call for action to address global inequality and environmental issues. Cases of corporate corruption at the turn of the century, notably Enron, Worldcom and Parmalat, and the financial crisis that started in 2008 have only increased this call for responsibility. Furthermore, diminishing trade barriers and freight costs, lower manufacturing costs in countries such as China, intensifying competition and technological development have led corporations to increase

purchasing internationally – raising a number of ethical considerations. “New” countries have also become increasingly important in global trade and politics; these are the BRIC countries – Brazil, Russia, India and China. In entering these markets, Western companies face new institutional, cultural and stakeholder environments.

While global issues were primarily the responsibility of governments and intergovernmental organizations (such as the United Nations, World Bank or International Monetary Fund) in the past, new actors – MNEs and international nongovernmental organizations (NGOs) – have entered the debate and there has been an important shift from “government” to “governance”. While MNEs have increased their weight in global business, international NGOs have also increased in number and influence (Boli & Thomas, 1997; Bendell, 2000; Doh, 2003; Teegen, 2003; Powell & Steinberg, 2006). In the past half-century, the consumer, environmental and anti- or alternative globalization movements have formed to address key global problems. Today, the primary actors in global governance are nation states (mainly working through intergovernmental organizations and economic and political unions), large multinational companies and international NGOs. Although the primary focus of these international NGOs has traditionally been to criticize and improve governments, they have shifted their focus towards global business. The move from government to governance also emphasizes market-based mechanisms (such as emissions trading, cross-sector partnerships and ‘base of the pyramid’ or BOP approaches) in addition to hierarchical control mechanisms (cf. Lambell *et al.*, 2008; Prahalad, 2005). There has also been an increasing number of voluntary corporate regulations and of multi-stakeholder forums on various issues (cf. Waddock, 2008).

Significant technological developments in the fields of information and communication technologies have brought about a new wave of connection, communication, dialogue and transparency. Information has democratized in the sense that individuals are not only consumers, but also producers of information through the Internet.

Within various national states, the division of labor between societal sectors – public, private and civil society – has also undergone important changes (van Tulder & van der Zwart, 2006; Kramer, 2000). The public sector has shrunk in many countries to adapt to the neo-liberal trends and efficiency requirements of new public management. The private sector has moved towards explicit corporate responsibility (CR) and to areas traditionally occupied by governments. Organized civil society actors, NGOs, have internationalized, professionalized and also taken over some traditional government tasks (Fisher, 1997; Kramer, 2000; Lambell, 2008). Calls for accountability have accompanied the rising influence of NGOs.

1.2. Research Setting

This thesis examines the relationship or the interface between the market (also referred to as the private or for-profit sector) and civil society (also referred to as third or non-profit sector). Figure 1 presents a simplified research setting for the topic of business and civil society interface. Various researchers, for instance van Tulder and van der Zwart (2006, 8), use this type of triangle model to depict societal sectors (but have not combined it with regional dimensions as depicted by the triangles of various sizes). The triangles and circles are not drawn to scale in terms of influence or importance and the aim is to illustrate the interconnectedness and blurring of sector boundaries as well as their reach to all geographical levels from local to global.

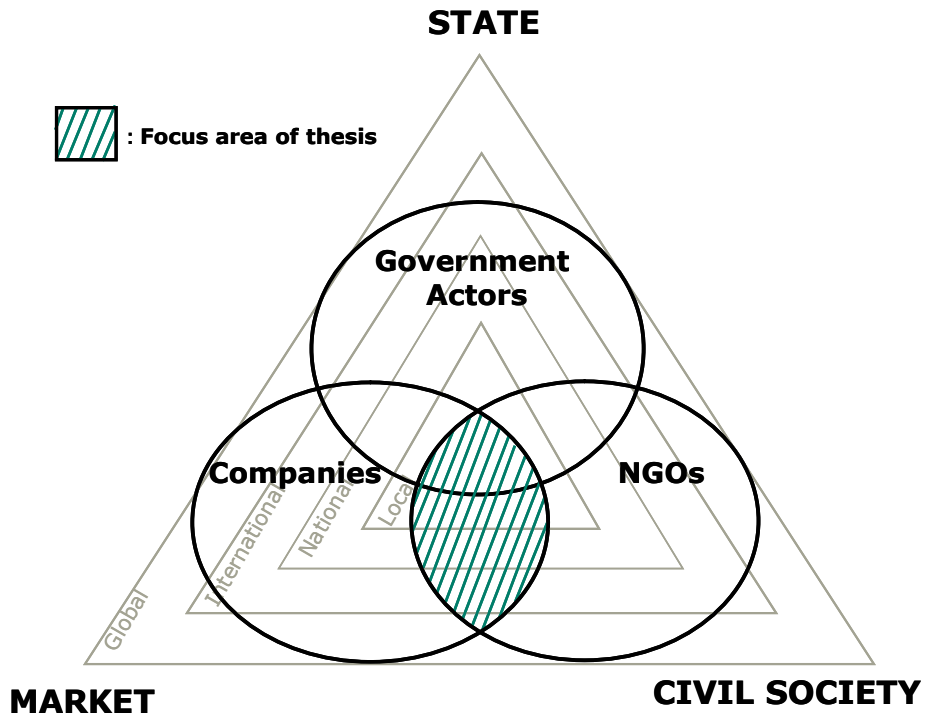


Figure 1: Research Setting

In society, we commonly distinguish between three sectors: the state, the market and civil society. Society can be depicted as a triangle as in Figure 1 where these three sectors form the tips of the triangle. In this thesis, the concepts of state, government and public sector are used interchangeably for the sake of simplicity. Similarly, the concepts of market, private sector and for-profit sector are also used interchangeably. Additionally, the terms civil society, third sector and non-profit sector are seen to have the same meaning. Within these sectors operate various actors: government actors at the national, provincial and local levels form the state, companies are the main actors in the market and NGOs represent civil society. These actors form the circles within the societal triangle. The concepts of a corporation, a company, a firm and a business are seen to have the same meaning and are used interchangeably in the thesis. The term business is also used in a more general sense where it is seen as multiple companies or the totality of all companies.

In practice, the boundaries of the societal sectors are somewhat blurred and the actors interact in various ways, which is represented by the intersections of the circles. In nation states, different societal sectors, institutions and actors are given specific roles and responsibilities. In case of market failure in the for-profit sector, government failure in the public sector and voluntary failure in civil society, different actors and institutions can step in to fill institutional voids. The focus of this thesis is on the interaction between the market and civil society sectors and more specifically the actors within these sectors – companies and NGOs.

A second categorization of levels of analysis is geographical in nature (triangles in Figure 1): the company-NGO interface can be observed on a local, national, international and global level or across levels. International is defined as cross-border and/or regional (e.g. European Union level) and is thus separated from the global level. This thesis focuses on the interaction between companies and NGOs at the global, international, national and local levels as highlighted in Figure 1. The interaction between actors of all three sectors – government actors, companies and NGOs – is in a minimal role in the thesis, since it is only dealt with in the literature review of article A.

1.3. Research Problem and Gaps

In examining the interaction between the private sector and civil society, this thesis takes the perspective of the corporation. Companies face several challenges in interacting with various stakeholders and civil society actors. Firstly, companies deal with a complicated stakeholder environment, with a very large number of often contradictory stakeholder claims and even simultaneous relations with the same stakeholder involving both conflict and cooperation. The identification of relevant or salient stakeholders, their prioritization and engagement involve difficult decisions and complicated processes. Secondly, companies face a complicated regulatory environment. While legal aspects are complex issues in themselves, a wide variety of voluntary environmental and social initiatives

(some NGO-lead) have emerged into a complicated network of voluntary governance at global, regional, national, industry and professional levels. Finally, multinational enterprises (MNEs) operate in numerous national environments with different institutions and possibilities for cultural collisions. To respond to stakeholder pressures, address regulatory concerns, adapt to different environments and express corporate values, MNEs have to make various decisions regarding strategy, organizational structure and practical issues. Thus, this thesis aims to tackle these numerous complexities by addressing the following general research problem: how can companies manage the challenges of the global business environment by addressing stakeholder claims and defining and implementing corporate responsibility policies and programs?

Within this research problem, this thesis focuses on the relationship between companies and NGOs. While research on company-NGO engagement has increased in the past few years, key research gaps remain. Firstly, a growing number of studies on the company-NGO relationship have been conducted in different academic fields or literatures, but state-of-the-art reviews on the topic are not available. Secondly, corporate responsibility literature and stakeholder theory have developed rapidly in the past thirty years, but studies have focused on either a company-wide level or the examination of specific types of CR programs. Research needs to go deeper into the variety of company-NGO engagement forms and evaluate them as a whole. In addition, specific company functions such as purchasing and the related company engagement with NGOs should also receive more research attention. Thirdly, the evaluation of outcomes of company-NGO engagement have emphasized the company benefits, while adopting a win-win setting where societal benefits are assumed to materialize (Halme & Laurila, 2009; Oetzel & Doh, 2009). While company benefits or the so-called “business case” for corporate responsibility is an important part of the equation, more focus is needed on the societal benefits or what can be called the “social case” for corporate (social) responsibility. Finally, the role of geographical context and especially national institutional context is often overlooked in research on company-NGO engagement. The below research objectives and questions describe how these gaps are addressed in this thesis.

1.4. Research Objectives

The above-described research problem is quite wide and it is necessary to determine what aspects of it will be taken under closer observation in attempting to fill the research gaps. The focus of the thesis is on interaction between business and civil society. The perspective adopted is that of the company and the unit of analysis is the entire company, specific company subsidiaries or units or certain corporate responsibility programs or projects. Within civil society, the thesis concentrates on specific organized forms of civil society. It includes NGOs working in the fields of world polity, welfare, the environment, human rights and community development. Political parties and professional and business associations are excluded from the analysis. Additionally, trade unions are not included in the articles, except in article D of the thesis. United Nations agencies are excluded from articles A and D, but are included in articles B and C. Other international or intergovernmental organizations such as the International Labour Organization (ILO) and the International Organization for Standardization (ISO) are also excluded. The decision to include or exclude specific types of NGOs depends on their relevance in each article. Additionally, the thesis is interested in different institutional and national contexts and their effect on the company-NGO interface.

To tackle the above-described research problem and gaps, this thesis has the following more detailed research objectives:

1. Review the existing literature on company-NGO engagement.
2. Examine how a company can manage stakeholder relations, especially with NGOs.
3. Analyze the motives and outcomes of company engagement with NGOs.
4. Assess the role of national differences in NGO bases on company-NGO engagement.

1.5. Research Questions

To achieve the above research objectives, it is necessary to define a more detailed research question. The key research question of the thesis is the following:

Why and how do companies engage with nongovernmental organizations to demonstrate corporate responsibility in different institutional contexts?

A comprehensive and systematic literature review of research on the topic provides a background analysis to the general research question. The “why” and “how” parts of the research question are addressed by examining the motives, strategies, organizational structures, tools and outcomes of company-NGO engagement. The thesis frames company engagement with NGOs as a corporate responsibility activity. Within this general research question, the function of purchasing is examined, since international purchasing related issues such as working conditions have generated a lot of discussion both within academia and in the practitioner community. Finally, the general research question refers to different institutional contexts. The role of geographic context and especially national institutional context of company-NGO engagement has been overlooked in research and this thesis attempts to fill this gap.

1.6. Key Concepts

The core concepts of this dissertation are the following: nongovernmental organization (NGO), civil society, civil society distance, corporate responsibility, socially responsible purchasing and stakeholder.

1.6.1. Nongovernmental Organization (NGO)

NGOs can be defined as “private, not-for-profit organizations that aim to serve societal interests by focusing on social, political, and economic goals, including, *inter alia*, equity, education, health, environmental protection and human rights” (Teegen *et al.*, 2004). In this thesis, the term NGO is used instead of terms such as non-profit or civil society organization (see chapter 2.4. for further discussion on definitions of NGOs).

1.6.2. Civil Society and Civil Society Distance

Civil society is composed of the totality of voluntary civic and social organizations and institutions that form the basis of a functioning society as opposed to the force-backed structures of a state and the commercial institutions of the market (see chapter 2.4. for further discussion on civil society). Civil society distance is defined as the difference in NGO base between two nations – home and host country (see article B).

1.6.3. Corporate Responsibility and Socially Responsible Purchasing

Corporate responsibility (CR) is a concept that defines the duties of business enterprises towards societal stakeholders and natural environment and describes how managers should handle these duties (Windsor, 2006). It is an “umbrella term overlapping with some, and being synonymous with other, conceptions of business society relations” (Matten & Moon, 2008). It assumes that companies have responsibilities that sometimes go beyond legal compliance and that they have responsibilities towards a number of external stakeholders. In this thesis, CR is treated as policies and activities that go beyond mandatory obligations such as economic responsibility (being profitable) and legal responsibility (obeying the law and adhering to regulations) (in line with Carroll, 1979; 1991).

In addition, according to the European Union, corporate social responsibility (in this study corporate responsibility and corporate social responsibility are seen as interchangeable concepts and the term corporate responsibility is used) is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Commission of the European Communities, 2001). Thus, CR commonly includes the concepts of the triple bottom line (division into economic, social and environmental issues as described by Elkington, 1997), the notion of the stakeholder and the voluntary nature of the activity.

In this thesis, socially responsible purchasing is defined as corporate responsibility activities that are related to the purchasing function.

1.6.4. Stakeholder

A stakeholder can be defined broadly as “any group or individual who can affect or is affected by the achievement of an organization’s objectives” (Freeman, 1984). Stakeholder theory is a managerial concept of strategy. The theory is based on the notion that an organization’s success is dependent on how well it manages the relationships with its main stakeholders such as employees, customers, suppliers and communities (Freeman, 1984; Phillips et al., 2003). Stakeholder pressure and influence strategies are research topics within stakeholder theory that have been studied increasingly (Frooman, 1999; Oestreich, 2002).

1.7. Structure of the Thesis

The following chapter of the summary of the thesis reviews the relevant theories and concepts of four key literatures: international business, business and society, management and civil society literatures. The subsequent chapter presents a general and comprehensive framework of company-NGO engagement. Then, the ontological and epistemological foundations of the work as well as the key methodological choices made in each of the articles are discussed. The final chapter of the summary of the thesis reviews the four articles and their main findings, evaluates the theoretical and managerial contributions of the work as well as provides suggestions for further research. Part two consists of four articles that form the empirical part of the work.

2. Literature Review

The four articles of the thesis are grounded in different academic literatures. This review describes how specific concepts and theories from four related and intertwined academic literatures – international business, business and society, management, and civil society research – are used in the four articles of the thesis. Figure 2 depicts how these literatures form the core theoretical foundations of the work.

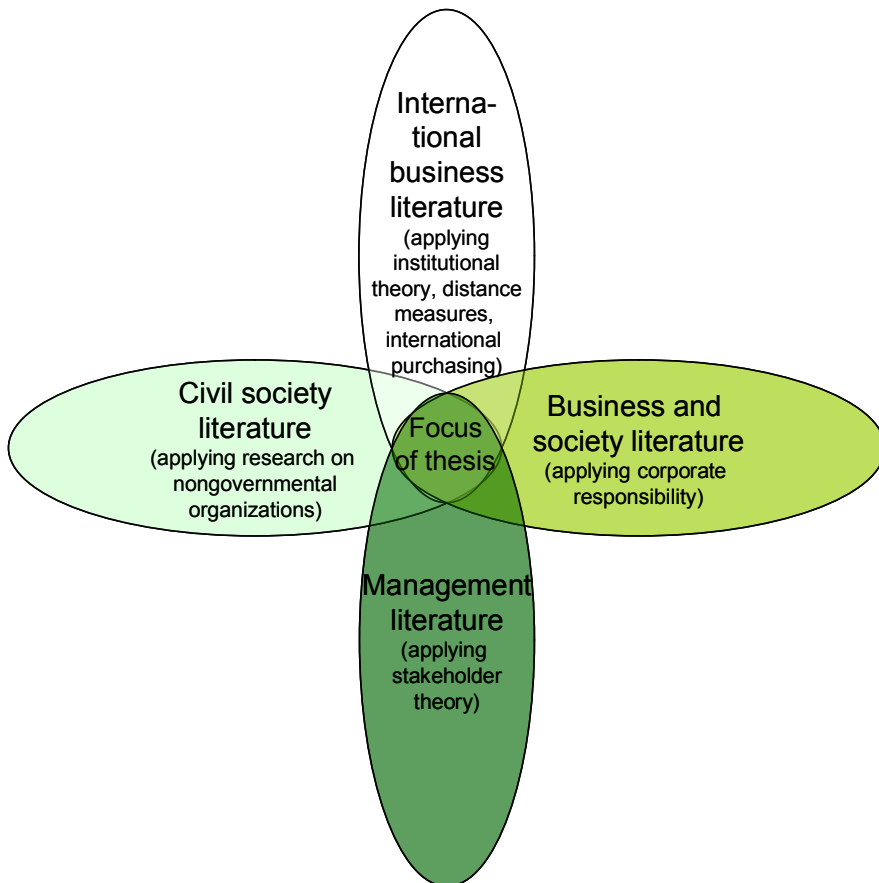


Figure 2: Positioning the Thesis within Academic Literatures

Within international business literature, neo-institutional theory provides a valuable frame to examine both global isomorphic pressures and NGOs as both affecting and being affected by national or local institutions. Furthermore, various types of distance measures have typically been used to determine differences in home and host country environments when analyzing multinational enterprises. Key distance measures are reviewed to produce a new type of distance measure focusing on civil society. Finally, the context and changes in international purchasing are assessed, because the increasingly international nature of purchasing has raised significant corporate responsibility concerns and stakeholder pressures towards companies. Within business and society and management literature more generally, corporate responsibility and the stakeholder approach are helpful ways to frame the activities between a company and its external environment and especially NGO, which are often considered to be secondary stakeholders. Finally, civil society research provides useful definitions and historical trends in understanding the multifaceted nature and historical development of various civil society actors.

The following sections introduce relevant theories and concepts in each of these literatures. The aim of this literature review is to provide a wider analysis of the topic area and as such to serve as an introduction to the articles. Since corporate responsibility is a useful and commonly used framework to understand business-society relations, it will be emphasized in the literature analysis. A more specific literature review of company-NGO relations is provided in article A of part 2 of the thesis.

2.1. International Business Literature

The field of international business (IB) has been looking for new directions and new research questions in the past few years (Buckley, 2002; Buckley & Lessard, 2005; Griffith *et al.*, 2008). Researchers have lately started emphasizing the need to study business-society management in the international context (cf. van Tulder & van der

Zwart, 2006) and in particular the relationship between companies and NGOs (Doh & Teegen, 2002; 2003). Buckley and Ghauri (Buckley, 2002; Buckley & Ghauri, 2005) and Lambell et al. (2008) also bring out nongovernmental organizations as an underdeveloped research area in international business. In this review of international business literature, this thesis will focus on institutional theory, distance literature, international purchasing and corporate responsibility research in IB journals.

2.1.1. Institutional Theory

Since this thesis is interested in examining national differences in business-society relations, institutional theory serves as a theoretical foundation to examine global standardization pressures in terms of corporate responsibility and stakeholder management and adaptation pressures on a local level.

Article B of the thesis analyzes global standardization pressures through “new institutional” theory. Institutional theory has become a foundation for much of the research conducted in organizational theory (Scott 1995) as well as an increasing number of studies in international business (Henisz & Swaminathan, 2008; Jackson & Deeg, 2008). DiMaggio and Powell (1983) argue that institutional environments are becoming more homogenous across national boundaries and that organizational practices are become institutionalized and legitimate. Legitimacy is achieved through coercive isomorphisms, mimetic processes and normative pressures. In the case of corporate responsibility and NGO engagement, coercive isomorphisms comprise increasing global and governmental regulatory frameworks and voluntary environmental and social initiatives. Mimetic processes include business coalitions formed around sustainability issues, corporate responsibility training programs and sustainability reporting. Normative pressures come for instance from the inclusion of corporate responsibility and stakeholder management into business school curricula. (Matten & Moon, 2008)

In terms of the local adaptation of corporate responsibility and stakeholder management, Doh and Teegen (2002, 669) discuss the link between institutions and NGOs using the institutional theory of economics as seen by North (1991; 1994). North describes two types of institutions: formal institutions (such as laws, policies and formal agreements) and informal institutions (such behavioral norms and mental models of individuals). Doh and Teegen (2002) argue that NGOs affect both types of institutions. They perceive that institutions are dynamic and constantly evolving and that NGOs are becoming increasingly integrated into their institutional environment and taking a more and more active role in influencing formal institutions.

Various theoretical approaches can be adopted to examine cross-national differences: varieties of capitalism (Hall & Soskice, 2001), national business systems (Whitley, 1997), quality of government (La Porta, *et al.* 1999), institutional quality (Glaeser, *et al.* 2004), institutional effectiveness and legal systems (Djankov, *et al.* 2003). Since the thesis focuses on company-NGO relations from the company perspective, various distance measures developed in international business are used to compare practices in different countries. These are described in the next section.

2.1.2. Distance Measures in International Business

In international business, a key area of research has been the development of various interrelated distance measures: psychic, cultural, geographic, development and institutional distance (e.g. van Tulder & van der Swart, 2006, 253-263). Psychic distance is seen as the “sum of factors preventing the flow of information from and to the market” (Johanson & Vahlne, 1977), including for instance language, education, culture and business practices. Cultural distance incorporates differences in how individuals in different countries observe behavior and such differences affect the transfer of work practices (Kogut & Singh, 1977; Brouthers & Brouthers, 2001; Shenkar, 2001; Quer, Claver & Rienda, 2007; Wang & Schaan, 2008). The cultural distance concept is almost always measured in terms of Hofstede’s (1980) individual work-related values or

dimensions of culture. Geographic distance is self-explanatory and development distance relates to the level of development of the host country compared to the home country. Finally, institutional distance is the extent of similarity between the regulatory, cognitive and normative institutions of two nations (Kostova, 1999; Xu & Shenkar, 2002). Institutional distance can exist between two countries or between the headquarters and subsidiary of a company (Kostova & Roth, 2002). Article B goes deeper into these distance measures by developing a new concept of civil society distance.

2.1.3. International Purchasing

International purchasing or sourcing is a very interesting concrete example and function through which to analyze corporate responsibility and company-NGO engagement. Many multinational enterprises, retail companies in particular, are increasingly dependent on international purchasing (Handfield & Nichols, 2004; Quintens *et al.*, 2006). The role of supply has also changed from an administrative towards a more strategic function and companies have deepened cooperation with their suppliers (Gadde & Håkansson, 1994; Gadde & Snehota, 2000).

While international purchasing operations have changed significantly in the past few decades (with the help of diminishing trade barriers, low cost country sourcing, lower freight costs and technological development), stakeholder pressure for responsibility, ethics and sustainability has increased significantly (Blowfield, 2005). Employee conditions are one of the most important ethical issues in international purchasing and international business (Güvenli & Sanyal, 2002). A number of studies have been conducted on the management of global supply chains (Mamic, 2005), codes of conduct and other ethical initiatives (van Tulder & Kolk, 2001; Kolk & van Tulder, 2002; Kolk, 2005; Roberts, 2003), corruption (Millington *et al.*, 2005) and ethical decision-making of individuals (Landeros and Plank, 1996).

2.1.4. Corporate Responsibility in IB Research

The general topic of corporate responsibility has risen steadily in international business journals. This is evident for instance in special issues related to the topic in IB journals (*Journal of International Business Studies* in 2006, *International Business Review* forthcoming, *Journal of World Business* 2003, 2006 and forthcoming, and *Journal of International Management* 2008). Egri and Ralston (2008) review 321 articles related to corporate responsibility, environmental issues, ethics and governance published in 13 international business journals between 1998 and 2007. Their study indicates a steady rise in research interest on the topic area. Out of the 321 articles, 37% discussed ethical issues, 25% corporate governance aspects, 19% environmental issues and 18% corporate responsibility or stakeholder management. Three quarters of the articles were empirical in nature and out of these empirical articles 51% involved surveys and 30% were case studies.

In addition, in an important book on the topic area, van Tulder and van der Zwart (2006) discuss the development of different CR approaches (or “CR regimes”) within different societies globally. They discuss the role of the receding state, growing corporate and civil society influence in Europe and their effects on the local or regional conception of CR.

2.2. Business and Society Literature

In this thesis (as is stated in article A), the term business and society literature is understood to encompass business and society, business ethics, corporate responsibility and environmental management (for the sake of simplicity). Although “business and society” is used as the primary label of the field, Schwartz and Carroll (2008) argue that other labels such as business and its environment, business and public policy, social issues in management, and business, government and society are also commonly used. Under business and society literature, this section will review key developments in corporate responsibility, including business ethics and business and society relations.

Indeed, corporate responsibility can be seen as an “umbrella term overlapping with some, and being synonymous with other, conceptions of business society relations” (Matten & Moon, 2008). It is important to note that the discussion on ethics and responsibilities related to trade or commerce can be seen to date back to Ancient Greece and even earlier, but this thesis focuses on relatively recent developments in English language academic research (for an example of a historical analysis of the development of corporate responsibility through the case of a Finnish municipality, see Mäkinen & Kourula, 2009).

Since Bowen (1953), corporate responsibility has been the focus of a huge amount of interest from academics and practitioners alike. Corporate responsibility is a widely contested concept with various competing and partly intertwined definitions. Carroll (1999) contends that the modern era in corporate responsibility began in the 1950s. In a review of the development of the concept, he points out that various definitions developed in the 1960s spread out in the 1970s. In the 1980s a lot of empirical work was conducted on CR and concepts like corporate social performance and stakeholder theory, and business ethics theory began to spread as well. The 1990s saw the development of a wide variety of CR models and frameworks. De Bakker *et al.* (2005) argue that CR has become firmly embedded in management sciences. They also state that while in academia there has been a trend to clarify constructs and develop and test each others models, there has also been a trend to constantly develop new concepts in the field, which has led to a wide variety of definitions, concepts and models (for a review of classic texts: cf. Crane, *et al.*, 2008).

As a field of academic research, CR includes a variety of theoretical foundations and different approaches. Garriga and Mele (2004) provide a review of CR theories and approaches and divide them into instrumental, political, integrative, and ethical theories. In this thesis, the following streams of literature within CR can be distinguished (partly similar categorization to Garriga & Mele, 2004): 1) CR as a “business case”, 2) CR as ethics 3) CR as politics and private or voluntary governance, 4) CR as development and partnership, 5) national differences in CR.

The first theme is CR as a “business case”. By and large, the instrumental nature has had a dominant role in CR literature and is widely accepted. The focus has been on the so-called “business case” or the examination of the link between CR and financial performance. Freeman’s (1984) stakeholder theory, especially its instrumental branch as described by Donaldson and Preston (1995), has had an important impact on this literature. Vogel (2008) provides a perceptive review of the literature on the business case for CR. As stated, the focus has been on the financial outcomes of CR (e.g. Hillman & Keim, 2001; Margolis & Walsh, 2003; Orlitzky, *et al.*, 2003; Husted & Salazar, 2006; Porter & Kramer, 2006). All in all, the results of these studies are mixed and there is no conclusive evidence that CR as a monolith leads to positive financial performance, although some studies indicate that specific CR practices can lead to increased financial performance and competitive advantage. Within this literature, Carroll (1979; 1991) introduced the classic pyramid of corporate responsibilities, including economic, legislative, ethical and philanthropic responsibilities. This CR literature would typically conduct a utilitarian analysis on the business (and societal) outcomes of company-NGO engagement with the ultimate aim of corporate profit maximization.

The second theme is CR as ethics. Ethical theories such as Aristotelian virtue ethics, Kantian or deontological ethics, and justice-based ethical theories have also had an impact on the CR literature and typically differ from the traditional utilitarian and instrumental approach (cf. Crane & Matten, 2004, 75-105, for a review of normative ethical theories used in business ethics). Garriga and Mele (2004) mention that normative stakeholder theory (cf. Freeman 1984; Donaldson & Preston 1995) and studies on sustainable development are important developments in this stream. While instrumental CR typically focuses on the business case and financial performance, this type of research can start from concepts of human rights, justice, equality, sustainable development and limits of economic growth. In observing company-NGO relations, ethical approaches can bring normative elements absent in the business case discussion to legitimize engagement between companies and NGOs. Thus, the focus can be on the principles according to which engagement is conducted and the societal outcomes of this engagement.

The third theme is CR as politics and private or voluntary governance. While the previously mentioned literature streams would typically look at the dyadic relationship between NGOs and companies, the political or private/voluntary governance typically take a wider societal perspective into consideration (often studies in the field of sociology and political science). The role of companies, especially large multinational corporations, is increasing in global governance (Kolk, *et al.*, 1999; Scherer, *et al.*, 2007) and this has significant implications for how our societies are organized. Scherer and Palazzo (2007) examine how CR should be understood as an inherently political concept, where the concept and its content are discursively constructed through public deliberation. In this call for democratic legitimacy, NGOs should (be able to) engage in political discourse on the issue and offer their point of view on the topic. Matten and Crane (2005) discuss the political nature of CR through the concept of corporate citizenship. In some cases, companies are providers of individual citizenship (social, civil and political) rights, which have traditionally been the responsibility of government. Interestingly, NGOs are also increasingly involved in the development of private or voluntary regulation (e.g. Christmann & Taylor, 2002; Abrahams, 2004; Gulbrandsen, 2004; Waddock, 2008).

The fourth theme is CR as development and partnerships. In the field of development studies, companies are seen as organizations with resources to address existing social and environmental problems (e.g. Utting 2005). Within CR literature, Halme and Laurila (2008) provide an interesting action-oriented categorization of CR into philanthropy, CR integration and CR innovation. The latter innovation category includes the development of new business models to solve existing social and environmental problems, especially in the context of developing countries. A key manifestation of this trend is the bottom-of-the-pyramid or base-of-the-pyramid approach (Prahalad 2005; Prahalad & Hart 2002). The literature on social entrepreneurship (Mair & Martí, 2006; Zahra *et al.*, 2006; Mair & Martí, 2008) can also be seen to fall in this category. This literature, CR as development and partnership, is closely linked to the two first mentioned streams of CR – the business case and the ethical point of view.

The fifth theme is related to national differences in CR. In the past three years, corporate responsibility literature has increasingly addressed national institutional differences in CR (Midttun, *et al.*, 2006; Albareda, *et al.*, 2007; Matten & Moon, 2008). Midttun *et al.* (2006) examine how corporate responsibility can be seen as part of a trend to “re-embed the economy in a wider societal context following a period of neo-liberal market exposure, deregulation, and separation of commercial and societal concerns”. The authors also analyze the political implications of this re-embedding of the economy from a welfare state perspective and examine how far companies in different European countries have gone in adopting CR policies and practices. Nordic countries such as Finland tend to be in the forefront of adopting CR practices. Albareda *et al.* (2007) discuss the public policies towards CR in the EU15 countries and provide a model of four “ideal” types of governmental action towards CR.

Matten and Moon (2008) also address the question of how and why corporate responsibility differs in various countries. They focus on explaining the differences between the U.S. and Europe, and especially the rapid rise of corporate responsibility in Europe in the past few years. Matten and Moon distinguish between explicit and implicit CR. While explicit CR “describes corporate activities that assume responsibility for the interests of society”, implicit CR is especially present in more coordinated market economies, where institutions have traditionally taken care of many CR issues that are explicitly stated in the other form of CR. The authors argue that explicit CR is growing globally, and also in European countries.

2.3. Management Literature

Within management literature, this section concentrates on firstly reviewing corporate responsibility research in management journals, and secondly discussing the development of the stakeholder approach or stakeholder theory.

2.3.1. Corporate Responsibility in Management Literature

Lockett, Moon and Visser (2006) conduct a literature review of corporate responsibility articles in key management journals between 1992 and 2002. They analyze 176 articles in ten journals including seven high impact academic-oriented journals and three practitioner-oriented journals. Articles are divided into four categories: social, environmental, ethics and stakeholders. The authors find that the focus has been on environmental issues and ethics. All in all, the body of research on CR is fragmented in terms of empirics, theory and (non-)normative orientation. However, empirical research has been overwhelmingly quantitative in nature and in terms of theory, the articles are primarily non-normative. While CR knowledge is inter-disciplinary in nature and continues to revise its basic assumptions and concepts, the most important references in the analyzed articles were within the field of management itself (instead of for instance economics, sociology, philosophy and psychology).

2.3.2. Stakeholder Approach and Theory

The stakeholder approach has been very important in the fields of management and especially in business and society literature. A stakeholder can be defined broadly as “any group or individual who can affect or is affected by the achievement of an organization’s objectives” (Freeman, 1984). Around this concept of the stakeholder, a wide literature that can be labeled stakeholder theory has formed. This theory is a managerial concept of organizational strategy and its principal idea is that an organization’s success is dependent on how well it manages the relationships with stakeholders such as employees, customers, suppliers and communities (Freeman, 1984; Phillips *et al.*, 2003). Figure 3 depicts a traditional and simplified representation of a company’s stakeholder environment (adapted from Freeman, 1984; Donaldson & Preston, 1995), where the company has relations with a variety of stakeholders such as the ones represented by the ovals. Different representations can include different stakeholder groups and these stakeholders have relations with each other forming wider stakeholder networks. This

thesis focuses on a specific stakeholder relationship – the one between a company and NGOs – and figure 3 emphasizes these two actors.

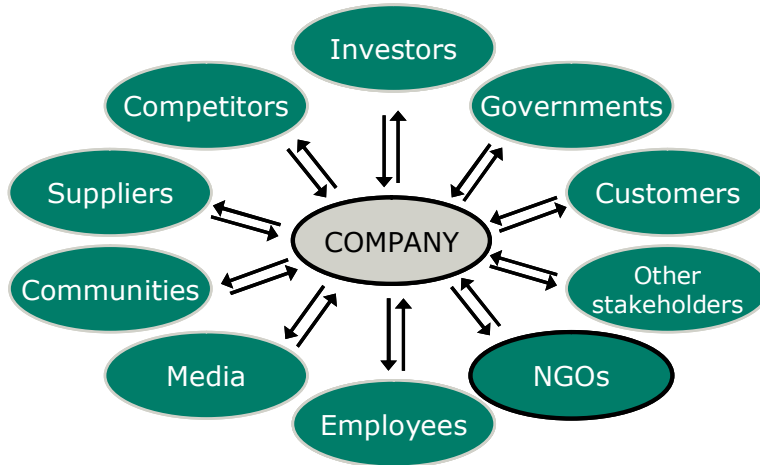


Figure 3: Stakeholder Model (Adapted from Freeman, 1984; Donaldson & Preston, 1995)

Various categorizations of stakeholders exist. For instance, stakeholders can be grouped in four main categories (Henriques and Sadorsky, 1999): 1) regulatory stakeholders, including local and national governments, professional organizations, and competitors; 2) community stakeholders, including environmental and human rights groups, consumer advocates and other potential activists; 3) media stakeholders; and 4) organizational stakeholders, including customers, employees, shareholders, and suppliers.

Important stakeholder management issues in this study include “why” and “how” questions. In answering why companies engage with NGOs, it is necessary to determine what are the benefits and disadvantages of engaging with NGOs (these are discussed further in chapter 3). In examining how engagement takes place, key issues are stakeholder pressure (what kind of demands NGOs place on companies and how they voice these demands), stakeholder identification (how to identify which stakeholders should be engaged), stakeholder salience (how can the general and relative importance of

an NGO relationship be determined or the “principle of who or what really counts” (Mitchell *et al.*, 1997)), and stakeholder engagement (what types of forms of engagement are used). It should be noted that corporate responsibility literature commonly adopts concepts from stakeholder theory although Freeman (1984) does not frame stakeholder management as a responsibility issue. Additionally, corporate responsibility research tends to overlook the libertarian political stance adopted by Freeman in his stakeholder theory (Freeman 1984; Freeman & Phillips 2002; Freeman et al. 2007) (for a discussion on the link between different corporate responsibility conceptions and different political theories see Mäkinen & Kourula, 2009).

2.4. Civil Society Literature

Providing clear, concise and comprehensive definitions for civil society, nongovernmental organizations (NGOs) or non-profit organizations (NPOs) is a difficult task (Salamon & Anheier, 1992; Boris & Steuerle, 2006), especially definitions that translate well from one nation to another and from one context to another (Anheier & Themudo, 2006). Indeed, Salamon and Anheier (1998) point out that there are significant differences in civil societies and NGO bases between different countries. Similarly, there are also differing traditions of company-NGO engagement from one country to another – for instance the U.S. has had a very strong tradition of philanthropy (Robbins, 2006; Galaskiewicz & Colman, 2006).

Sociologists have conducted much of the early research on civil society (Salamon & Anheier, 1992; Himmelstein, 1993) and nongovernmental organizations have also been an important focus area in development studies. NGOs have grown significantly in number and influence in past decades (Boli & Thomas, 1997; Bendell, 2000; Powell & Steinberg, 2006) and research on NGOs has increased in a number of academic fields.

Salamon and Anheier (1992) provide an excellent overview of the problems of definition of nongovernmental organizations – originally a term coined by the United Nations to

describe other entities than states present at meetings. Different related concepts include for instance civil society or the charitable, independent, voluntary, tax-exempt or non-profit sector. Salamon and Anheier (1992) review four key types of definitions of nonprofits (the term NGO is preferred in this study): 1) the legal definition (especially in the U.S. related to the tax-exemption status under the Internal Revenue Code), 2) the economic/financial definition (NGOs receive the bulk of their income not from the sale of goods and services to the market, but from dues and contributions of members and supporters), 3) the functional definition (“private organization serving a public purpose”), and 4) the structural/operational definition (NGOs are formal, private, non-profit distributing, self-governing and include voluntary participation). The authors argue that this latter structural/operational is the best to properly describe NGOs and civil society.

In a more general review, Kaldor (2003, 10) describes five versions of global civil society. The first one is the concept of “*societas civilis*” referring to a cosmopolitan conception of civility and rule of law. The second is the German idea of “*bürgerliche gesellschaft*” where civil society includes all organized social life between the state and the family. Thirdly, the activist view of civil society emphasizes political emancipation through social movements and civic activists. The fourth version of civil society is the neo-liberal view, where charities, voluntary associations and the so-called third sector are a central component of the privatization of democracy building and humanitarianism. The final post-modern conception adds nationalists and fundamentalists to the above-mentioned conceptions and sees civil society as a plurality of global networks of contestation.

While civil society actors have been present for hundreds of years, this thesis emphasizes the current state of nongovernmental organizations without an in-depth historical analysis. Kaldor (2003, 80-81) provides a typology of recent historical developments of global civil society actors. What she calls “old” social movements (or pre-1970) were worker and intellectual movements with the purpose of capturing state power. The aim of these movements was redistribution, welfare and anti-colonialism. The “new” social movements were born in the 1970s and 1980s. These aimed at changing the relationship

between state and society through raising issues related to human rights, peace, women's rights, environment and third world solidarity. The 1980s and 1990s saw the rise of professional and expert NGOs, think tanks and commissions, which aimed at influencing civil society, the state and international institutions. At the same time, transnational civic networks of NGOs, social movements and grass roots groups formed to pressure states and international institutions on issues such as global climate change and landmines. The 1990s also saw the rebirth of nationalist and fundamentalist movements of workers, entrepreneurs and farmers that again aimed at capturing state power. Finally, the late 1990s and 2000s saw the rise of the "new" anti-capitalist movement calling for recognition of the victims of globalization and reform of global institutions. This movement comprised networks of NGOs, social movements and grass roots organizations using confrontational tactics.

Furthermore, researchers have tried to categorize different types of NGOs and their roles in company-NGO engagement (Ählström & Sjöström, 2005). Van Tulder and van der Zwart (2006) provide the following useful categorization of NGOs with examples in parentheses:

1. Business Oriented NGO (World Business Council for Sustainable Development)
2. Partnership Oriented NGO (WWF)
3. Business Interested NGO (Fair Trade)
4. Shareholding NGO (shareholder activism such as Greenpeace)
5. Strategic Stakeholder Oriented NGO (Forest or Marine Stewardship Council)
6. Broker Oriented NGO (Environmental Council)
7. Supervisory NGO (Global Reporting Initiative)
8. Discussion and Dialogue Oriented NGO (Médecins Sans Frontières)
9. Watchdog Oriented NGO (CorporateWatch, Greenpeace, Amnesty)
10. Direct Action Oriented NGO (Animal Liberation Front).

Additionally, Rowley and Moldoveanu (2003) discuss the instrumental or expressive nature of NGOs, Frumkin (2002) divides NGOs on the basis of whether they utilize a

demand or supply rationality and den Hond and de Bakker (2007) view NGOs as having either a radical or a reformist approach.

3. Towards a Framework of Company-NGO Engagement

After reviewing the literatures that form the theoretical foundations of the thesis, an examination of key issues in company-NGO engagement can be completed.

3.1. Institutional Setting

Figure 1 indicates that engagement between companies and NGOs can be examined at a global, international, national and local level. In terms of global forces for engagement, new institutional theory of organizations is useful to describe coercive, mimetic and normative isomorphic pressures for corporate responsibility and stakeholder management (DiMaggio & Powell, 1983; Scott, 1995; Matten & Moon, 2008). Coercive isomorphisms include increasing regulatory frameworks, voluntary environmental and social initiatives developed in cooperation or by various NGOs, and socially responsible investment indices including philanthropic donations. Mimetic processes include business coalitions and roundtables formed around sustainability issues, corporate responsibility training programs and sustainability reporting. In terms of NGO engagement, the formation of partnerships with NGOs, promoted for instance by the World Summit for Sustainable Development in 2002 (Pearce & Doh, 2005; Eweje, 2007; Seitanidi & Crane, 2009), is a significant mimetic process. Normative pressures come for example from the inclusion of corporate responsibility into business school curricula.

A new global governance or regulatory framework, which can be called the new institutional infrastructure of corporate responsibility (Waddock, 2008), is constantly developing. There exist an increasing number of voluntary corporate regulations and of multi-stakeholder forums on various issues (cf. Waddock, 2008; Abrahams, 2004; Doh & Guay, 2004). Corporate responsibility or voluntary environmental and social initiatives can vary in terms of scope, content, nature (code of conduct, management principles or

guidelines, management system standard, environmental and social product or service certificates, stock index socially responsible investment criteria), lead organization, inclusiveness (participating organizations) and interoperability. These initiatives raise a number of unanswered questions related to the representativeness and accountability of NGOs (cf. O'Dwyer & Unerman, 2008). Critical studies have examined the unelected and unaccountable nature of NGOs (Lehman, 2007) and its effect on societies. Company-NGO interface regulatory frameworks also seem to have democratic aspects, since NGOs are representatives of local communities or general global issues. Nonetheless, this type of regulation can also be seen as by-passing traditional democratic and political approaches to creating regulation by nation states.

On a national or local level, NGOs affect and are affected by institutions. On a national level, NGOs operate within an institutional setting with a specific type of government, business system, legal system and cultural environments and stakeholder networks (Clarke & Roome, 1999; Roome, 2001), which can all affect company-NGO relations. For instance, national tax codes and related tax benefits can have a strong effect on the development of philanthropic traditions in a specific country. The NGO base of a specific country also seems to have a strong effect on company-NGO engagement (article B).

3.2. Drivers and Motives of Companies and NGOs

Specific characteristics of a company can affect how it addresses corporate responsibility (cf. McWilliams & Siegel, 2001). These include company size, industry and level of diversification, level of internationalization and markets where the company operates, research and development, advertising, government sales, stage in the industry life cycle and a business-to-business or business-to-customer orientation. Company (partially interrelated) motives or drivers for engaging with NGOs can include: gaining or maintaining legitimacy or a license to operate, improving reputation or brand, avoiding and responding to negative campaigns (risk management), avoiding binding regulation, improving operational (environmental) efficiency, creating new products or services

(innovation), improving employee recruitment, satisfaction and retention, developing investor relations, gaining local knowledge, and advancing community relations (cf. Austin, 2000; Rondinelli & London, 2003; Oetzel & Doh, 2009; Vernis *et al.*, 2006, 23-45; articles B, C and D). Personal networks also play an important role in company-NGO relations. Furthermore, Arya and Salk (2006) examine different factors (competency development, experience, goal setting, proactive approach, involved actors, and government policies) that facilitate organizational learning in alliances between companies and NGOs. Typically, stakeholder engagement in terms of CR often emphasizes the potential for learning – in both exploitative and explorative forms (Roome & Wijen, 2006). Pearce and Doh (2005) argue that collaborative social initiatives are most effective when they focus on core capabilities of the actors involved. Godfrey *et al.* (2009) test empirically using an event study setting that CR activities aimed at secondary stakeholders or society at large provide “insurance” like benefits to the company and thus CR in general can be seen as risk management and as gaining moral capital.

Different NGO characteristics affect how it engages with companies (cf. Rowley & Moldoveanu, 2003; Frumkin, 2002; Åhlström & Sjöström, 2005; den Hond & de Bakker, 2007). These include the legal form or type of NGO, role or approach towards companies, level of internationalization and the countries in which the NGO operates, instrumental or expressive nature, and demand or supply rationality. NGO (partially interrelated) motives or drivers for company engagement can include: gaining legitimacy or credibility, advancing societal change, advancing democratic dialogue, representing actors without a voice, moving towards regulation, widening the funding base (cf. Martinez, 2003; Macdonald & Chrisp, 2005), gaining new or combining existing resources, or mimicking other NGOs. Rowley and Moldoveanu (2003) argue that although research has assumed that stakeholder group action is interest-based, NGOs also act in order to build their identities and express management values.

3.3. Challenges or Constraints of Engagement

There are numerous challenges or constraints to company-NGO engagement. Typically, studies mention that companies and NGOs can have different world-views or values and disproportionate resources. Companies and NGOs also have different organizational models and employees typically have different educational backgrounds (Oetzel & Doh, 2009). Stakeholder engagement can also use a lot of resources (time and money) and dialogue and partnership necessitate specific skills. As figure 1 indicates, multinational enterprises and international NGOs can engage on a global level or local level and these engagements can be contradictory. Both NGOs and companies also have cognitive limitations related to how they understand the existing networks of relationships (Lucea, 2008). From a governance perspective, there exist numerous different and interrelated international, regional or industry-specific regulatory frameworks or initiatives, which can be confusing (Abrahams, 2004). Additionally, company-NGO relations can be simultaneously cooperative and adversarial. As Gilbert and Rasche (2007) and Palazzo and Scherer (2006) describe from a discourse ethical perspective, it is difficult to create a proper dialogue between companies and NGOs. Another constraint in company-NGO engagement is potential NGO network conflicts (Schepers, 2006). Furthermore, companies may want to avoid losing control or divulging sensitive information, which can hinder engagement (article B). Companies can also see that increasing CR activity attracts attention and may make the company a target of more stakeholder pressure. Finally, the outcomes of engagement are typically evaluated on a rather short-term basis.

3.4. Engagement Strategies

Academic research has emphasized engagement forms and strategies between companies and NGOs. From the company perspective, there is a large literature on corporate philanthropy (cf. Powell & Steinberg, 2006). Additionally, many studies have focused on partnerships (Grolin, 1998; Stafford et al., 2000; Argenti, 2004; Wei-Skillern, 2004; MacDonald & Chrisp, 2005) and forms that are gaining in popularity, such as employee

volunteerism (de Gilder et al., 2005). King (2007) focuses on the cooperative aspect of the company-NGO relationship from a transaction cost perspective and examines the conditions of co-development of technology between companies and environmental groups, partial property transfer, development of long-term relations, and separate corporate engagement groups. Kong et al. (2002) discuss company cases and provide best practices in stakeholder management of NGOs. Kourula and Halme (2008) argue that cooperative company-NGO engagements can be categorized into philanthropy, corporate responsibility integration, and corporate responsibility innovation and that these can lead to different outcomes. The engagement strategies of sponsorship, stakeholder dialogue and different types of partnerships (discussed in articles B and C) can be combined to approaches to dealing with stakeholder pressure: reactive, defensive, accommodative and proactive (discussed in article D). This combination results in six general corporate strategies for engaging with NGOs moving from confrontation to cooperation: retaliation, defense, indifference, sponsorship, dialogue and partnership.

An important stream of research has focused on NGO influence strategies. For instance, Den Hond and de Bakker (2007) examine how activism influences corporate social change activities. They assume that activists aim for field-level change, and argue that the ideology of activists (radical vs. reformist) affects the tactics they employ. Based on stakeholder theory, corporate social performance, environmental movement literatures and five case studies of environmental NGOs, Hendry's (2006) study develops propositions related to the identification of factors that lead a stakeholder group to target a specific firm. These propositions are related to the impact of the firm's actions on the natural environment, previous interaction and the density of the relationship between the actors, information sharing between NGOs, and the influence, size, brand and also the closeness of the firm to consumers in the supply chain. Rehbein et al. (2004) develop hypotheses on the motives of shareholder activists including NGOs in targeting corporations. These propositions, which concern employee-related practices, community relations, company negative product contingencies and environmental issues, are tested through regression analysis. Furthermore, Eesley and Lenox (2006) examine whether stakeholder pressure can evoke positive corporate reactions and David et al. (2007)

analyze whether the same is true in the case of investor activism. Interestingly, the latter study concludes that investor activism may divert managerial responses from improved corporate social performance to alternative political strategies in defense of stakeholder pressures. Finally, using an event study methodology and social movement framing, King and Soule (2007) argue that protests of activists are more influential when they target issues dealing with critical stakeholder groups, such as labor or consumers, and when they generate extensive media coverage.

3.5. Evaluation of Outcomes

A seminal article in the evaluation of outcomes of corporate responsibility activities is Margolis and Walsh's (2003) meta-analysis on the relationship between responsibility and financial performance. Heugens (2003) argues that despite the adversarial nature of the company-NGO relationship, the actors involved can still build capabilities. All in all, examination of outcomes of company-NGO engagement includes measuring the following business outcomes: moral capital or brand value, learning and gained knowledge, improved stakeholder relations, operational efficiency, employee satisfaction, and development of new products or services. The measurement of societal outcomes needs to be developed and at least the following elements should be included: meeting local basic needs, promoting dialogue/voice, and the creation of self-sustaining businesses. (cf. article B; Kourula & Halme, 2008)

3.6. Conceptual Framework of Company-NGO Engagement

The above-described key aspects of company-NGO engagement are summarized in the conceptual framework in Figure 4.

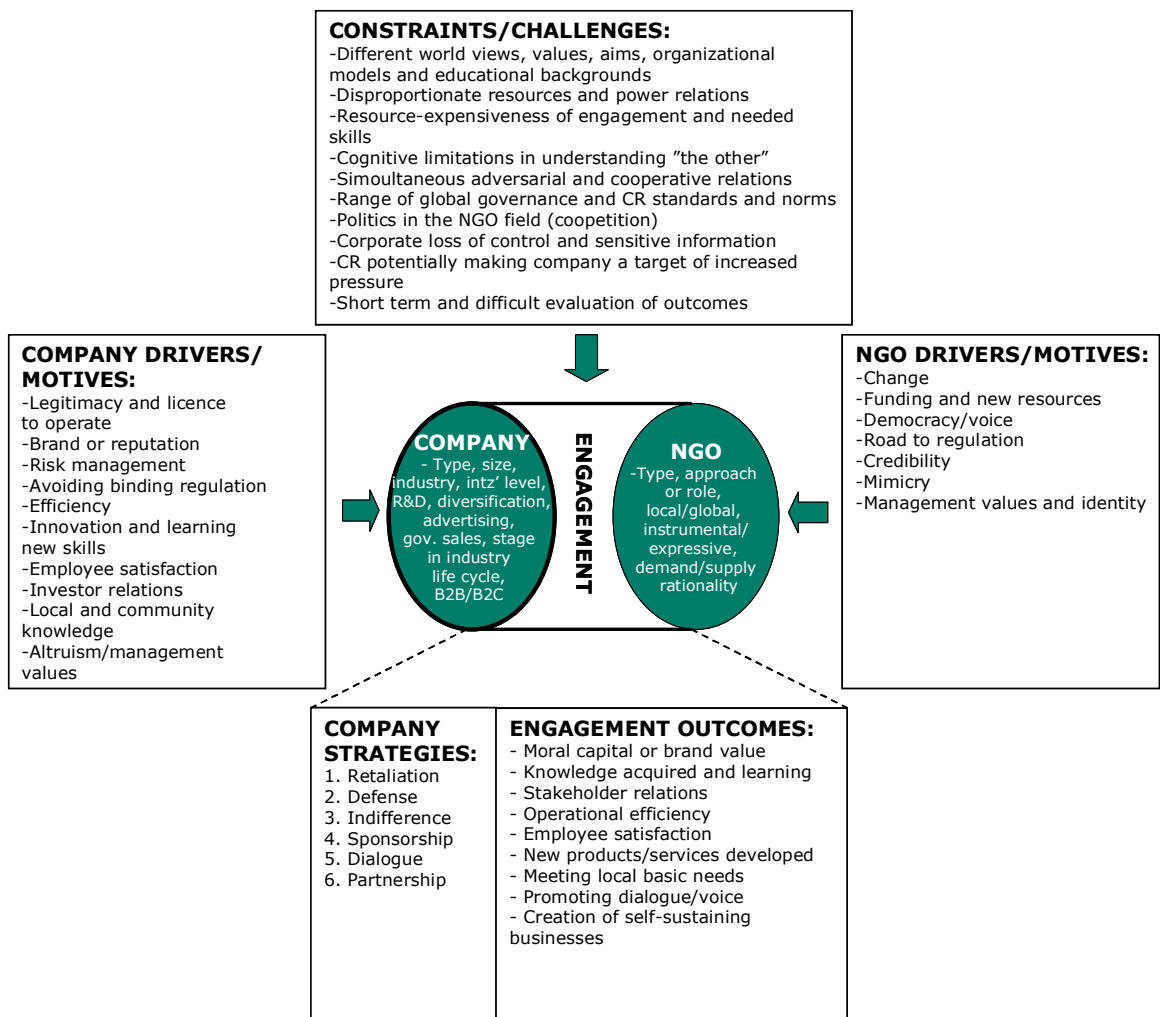


Figure 4: Conceptual Framework of Company-NGO Engagement

The ovals represent the two actors involved – the company and NGO. Characteristics of each actor that can have an effect on company-NGO engagement are described within the ovals. Since the focus of the thesis is on the company perspective, the company oval is emphasized. Company and NGO drivers or motives, challenges or constraints of engagement, company strategies as well as outcomes of engagement are listed in the relevant boxes.

4. Ontological and Epistemological Foundations

The early design of the research, especially of the case studies of the thesis, was influenced to some extent by a positivistic philosophy of science. The literature review article attempts to examine a field of research and as such is closer to a pragmatist philosophy. Pragmatism is “a philosophy of science that emphasizes the link between action and truth, arguing that the ultimate test of a belief is the willingness to act on it” (Fendt, Kaminska-Labbé & Sachs, 2008; Johnson & Duberley, 2000, 157-176). Notable contributors to this philosophical position are Charles Peirce, William James, John Dewey and Richard Rorty. Ulrich (2007, 1109) points out that “pragmatism is likely to be one of the most underestimated and misunderstood philosophical traditions of our epoch”.

Pragmatism has its roots in the critique of logical positivism, a dominant philosophy of science position in management literature, especially the one produced by North American scholars. As Freeman and Wicks (1998) argue, pragmatism can be an important tool to overcome the classic dichotomy between positivism and anti-positivism. They examine the differences between these philosophical positions by providing the descriptions in Table 1 (from Freeman & Wicks, 1998, 129):

Positivism	<p>Sharp and categorical divisions across three distinctions (making v. finding; descriptive v. prescriptive; science v. nonscience)</p> <p>Science as the only basis for generating knowledge</p> <p>Concepts/Terms as Value-Neutral (stripped of moral content)</p> <p>Reality as Unequivocal</p>
Antipositivism	<p>Relativizes, but retains, the categorical distinctions of positivism</p> <p>No basis for determining which accounts are better than others</p> <p>Concepts/Terms as Value-Neutral (stripped of moral content)</p> <p>Reality as Equivocal</p>
Pragmatism	<p>Rejects the categorical distinctions of positivism (no privileged status, as such, to science)</p> <p>Can draw useful (pragmatic) distinctions among methods and forms of evidence in terms of what is useful (e.g. between “descriptive” and “prescriptive”, “science” and nonscience; better and worse metaphors)</p> <p>Concepts/Terms as Value-Laden</p> <p>Reality as equivocal, but grounded in terms of language, history, culture.</p>

Table 1: Differences between Positivism/Antipositivism and Pragmatism

In its epistemological stance, pragmatism challenges the assumption that knowledge and action are two separate spheres, and that absolute truth exists. Inquiry is a means by which individuals and organizations understand their environment. Thus, what is “true” for pragmatists is relative to a conceptual scheme and cannot be understood out of context. Pragmatism involves conceptual relativity, but is not entirely relativistic in the sense that “anything goes” – all accounts or narratives of reality are not necessarily seen as valuable. For pragmatists, the “truth emerges as a synthesis of the opposing views, and becomes the thesis for the next cycle of dialectical progression” (Fendt, Kaminska-Labbé & Sachs, 2008, 480) – it is constantly refined and advanced. The value of research can be determined by two criteria related to usefulness: one criterion is epistemological (is the information credible and reliable?) and the other normative (does this help advance our projects?) (Freeman & Wicks, 1998, 130). Ontologically, pragmatism acknowledges that there exists an external world “out there”, but it does not differentiate between facts and values. It should be noted that pragmatism is not equal to utilitarianism, since it is adaptable to a wide range of value-systems that are not necessarily utilitarian.

What are science and theory for pragmatists? Freeman and Wicks (1998, 127) argue that for pragmatists science is “simply another narrative account of how things within the world relate to each other”. In this view, theories and distinctions are tools or maps for individuals to find their way in the world. In this sense, studying organizations is not to be seen as an abstract discipline for academics, but as a way to connect research insights and skills to the practice of business. As Fendt, Kaminska-Labbé and Sachs (2008) point out, pragmatism necessarily includes the notion of a “client for the research effort” – company representatives in this case.

Each of the case studies of this thesis (articles B, C, and D in part 2) can be seen as a representation of corporate action. Their understanding of systems is functional in nature and the value of the models can be determined by their usefulness. The categorization of company-NGO engagement strategies and forms of article B, the corporate responsibility action types in article C and the socially responsible buying strategies in response to stakeholder pressure in article D can be deemed valuable in the sense that they are interesting and insightful frames for understanding and conceptualizing corporate action. In essence, they bring something new to the discussion of company-NGO relations.

All things considered, through pragmatism, normative and empirical discourses can be linked more directly and consciously (Freeman & Wicks, 1998) and the field of business and society can be a fruitful area of pragmatist research. Pragmatism can be a significant tool in bridging the theory-praxis gap.

5. Methodological Choices

This thesis includes four articles, one literature review and three case studies. Key methodological choices of the thesis include the research approach and methodologies (including the type of study, unit of analysis, data collection and analysis, and evaluation of quality). The limitations of the thesis and the articles are also discussed.

5.1. Research Approach

Three of the articles of the thesis (articles B, C, and D) adopt a qualitative research approach. Qualitative research has been used extensively in social sciences to gain an in-depth understanding of the studied phenomenon. Qualitative research approaches have also been utilized widely in international business (Marschan-Piekkari & Welch, 2004) and business and society literatures (Harrison & Freeman, 1999).

5.2. Methodologies

Table 2 summarizes the methodologies of each of the articles.

Article	Method	Choice of journals/ cases	Data gathering	Data analysis	Evaluation of quality
Article A: Literature review of company-NGO interface research	Article analysis/ literature review.	Key journals in business and society fields, management and IB journals in Financial Times 40 list.	Primary: abstract analysis for 11 journals (1998-2007): 88 articles identified.	Spreadsheets according to terminology, organizational perspective, theme/focus, theory, method and findings.	Secondary check (key word search), researcher triangulation, research process description.
Article B: Case study of company-NGO engagement in different institutional contexts	Single embedded case study (company headquarters and national subsidiaries).	Industry: high environmental impact with long-term dialogue with NGOs. Company: large company with international operations, access. Countries: company presence and differing institutional contexts.	Primary: 14 semi-structured interviews Secondary: website, reports, newsletters, press releases, company magazine, academic and practitioner reports Preliminary: content analysis of 37 sustainability reports.	Preliminary study: categorization of engagement forms. Secondary data: standardization/ adaptation, company motives, proactive approach, dialogue, categorization into strategic, organizational and practical. Primary data: motives, portfolio thinking, inclusiveness of dialogue, regulation, civil society distance.	Data triangulation, sending report to interviewees, description of research process.
Article C: Corporate responsibility and outcomes of company-NGO engagement	Multiple embedded case study	Companies: revelatory sampling using diverse cases, availability of information. Projects/programs: 20 diverse NGO engagements.	Secondary: sustainability reports, project reports and websites.	Focus on engagement forms, business and societal outcomes of engagement, corporate responsibility categorization	Researcher triangulation and description of research process.
Article D: Socially responsible purchasing	Multiple case study	Companies: international retail companies emphasizing purchasing, but experiencing different levels of stakeholder pressure.	Primary: 3 interviews with CR managers. Secondary: annual and sustainability reports, websites, key word search of three national newspapers.	Media text analysis identifying stakeholder pressures over time, interviews and secondary data classified based on strategic, organizational and practice level socially responsible purchasing developments.	Researcher triangulation and description of research process.

Table 2: Key Methodological Choices of Articles

5.2.1. Literature Review and Case Studies

Article A is a literature review. Its purpose is similar to the study by Egri and Ralston (2008), who examine the state of corporate responsibility research in the field of international management, and Lockett, Moon and Visser (2006), who examine the state of Corporate Social Responsibility research in the field of management. A citation analysis using key terms such as CSR (e.g. de Bakker, Groenewegen & den Hond, 2005) was not interesting in this case, because the aim was not to find the most influential studies from a historical perspective. For instance, Ramoz-Rodriguez and Ruiz-Navarro (2004) identify works that have had the most impact in the field of strategic management over a period of 20 years. Other literature reviews also test hypotheses (e.g. de Bakker *et al.*, 2005), but the aim of article A is to assess the state of research in a specific academic field or fields.

The three other articles utilize qualitative case study methodology. Qualitative research can be used for theory development on phenomena, which have not been extensively researched. This type of research is especially valuable in trying to understand issues such as motives and organizational processes. Case study methodology can be used to develop theory and propositions to be tested by larger data sets. This methodology is appropriate because most research questions are “how” or “why” type questions, the researcher has little control over events, and the topic is a contemporary real-life problem and a complex phenomenon involving various variables (Yin, 2003). Article B is an exploratory, inductive and embedded case study with the aim of theory building and articles C and D utilize available models related to corporate responsibility and can be considered to be more explanatory or deductive in nature.

5.2.2. Units of Analyses and Sampling

For the analysis in the literature review, key journals in the business and society field were identified and key management and IB journals were selected from the Financial

Times 40 list. The key criterion for choosing the articles included in the analysis was the presence of a reference to the company-NGO relationship in the abstract of the article.

In the three case studies, multinational corporations provided a very interesting research context, especially in the field of international business (Roth & Kostova, 2003). Unlike in quantitative studies, qualitative research approaches involve purposive sampling. In article B, the industry of interest was the first choice – the forest products sector was seen as having a high environmental impact as well as a long history of dialogue with NGOs. The choice of case company needed to be a large company with international operations as well as one providing access to the researcher. The selection of countries was based on the company's presence in the markets as well as the requirement of differing geographic and institutional contexts. All in all, the case study was an embedded one, since it was studied at the headquarters level as well as on the national level.

The selection of case companies in article C was purposive and revelatory in nature. The aim was to identify diverse cases with publicly available information about NGO engagement. This case study was also embedded in the sense that 20 diverse NGO engagements were analyzed within the case companies. For article D, the selection of cases was related to the inclusion of international retail companies emphasizing purchasing, but experiencing different levels of stakeholder pressure.

5.2.3. Data Gathering and Analysis

For the literature review study of article A, primary data included 88 academic articles identified through abstract analysis of all articles published from 1998 to 2007 in eleven academic journals. These articles were analyzed using spreadsheets and classified under the themes of terminology, organizational perspective, theme/focus, theory, method and main findings.

In article B, primary data were gathered through 14 semi-structured interviews and secondary data through documentary analysis (including the company website, sustainability and project reports, newsletters, press releases, company magazine, academic and practitioner reports). A preliminary content analysis of 37 sustainability reports of forestry and energy companies provided an initial categorization of engagement forms. From the analysis of secondary data, the themes of standardization vs. adaptation, company motives, proactive nature of NGO engagement, and dialogue, and the categorization into strategic, organizational and practical issues arose. Key themes in the analysis of primary data were a more comprehensive picture of company motives, portfolio thinking, inclusiveness of dialogue, regulation, and the concept of civil society distance. The secondary data provided a general picture of company-NGO engagement and ongoing CR activities, while the interviews were necessary to gain a deeper understanding of motives, challenges (which are typically not discussed in public documents), responsibilities within organizational structures and national differences in practices.

The data gathering for article C included secondary material in the form of sustainability reports, project reports and websites. The data were analyzed according to the themes of engagement forms, business and societal outcomes of engagement, and the corporate responsibility categorization. All case companies provide ample data publicly on their CR activities.

The primary data for article D included interviews with the CR managers of all case companies. The secondary data consisted of annual and sustainability reports, websites, and a key word search of three national newspapers. The media text analysis identified the key stakeholder pressures over time, and the interviews and secondary data were classified on the basis of strategic, organizational and practice level socially responsible purchasing developments. The interviews were conducted to check public source data as well as to gain a more comprehensive picture of CR approaches and motives.

5.2.4. Evaluations of Quality

In the articles of the thesis, different tools were used to verify the credibility (or internal validity), dependability (or reliability), transferability (or generalizability and external validity) and confirmability (or objectivity) of research (cf. Sinkovics, Penz & Ghauri, 2008).

In the literature review of article A, a secondary check using key word search was utilized to verify that no relevant articles were left out. In addition, researcher triangulation was used in the sense that borderline or unclear articles were reviewed together to determine whether they fit the scope of the study. The case studies used researcher triangulation (articles C and D), data triangulation (different types and sources of data were utilized in all articles) and interviewee corroboration. For interviewee corroboration, research reports or papers were sent to all interviewees in the cases of articles B and D, and the research paper was sent to company representatives for commenting in the case of article C. In article B, all interviewees were asked to identify other potential interviewees so that no relevant persons would be left out. In terms of transferability or generalizability, articles C and D use general CR models and article B develops falsifiable propositions. Since corporate responsibility and NGOs can be understood in different ways, the interviews of article B included open questions about definitions of key concepts and translations of the terms were discussed with interviewees when interviewing in different languages. In all studies, the research process was documented.

5.3. *Limitations*

In terms of theoretical limitations, this thesis focuses on the organizational perspective and more specifically the company perspective. This focus has led to the use of stakeholder and corporate responsibility approaches, which do not necessarily take into consideration systems perspectives (Roome, 2009) and can potentially lead to ignoring

theoretical developments in other fields. The thesis' foundation is in English language academic literature and has a bias towards theories originating for the most part in North America potentially leading to conflicts of adoption of theories in other contexts. Additionally, the research is grounded in relatively recent academic research and data is gathered during a short time span, which can lead to overlooking earlier contributions in different fields and gives a snapshot of business-NGO relations at a specific time without in-depth consideration to the extensive historical traditions and context related to corporate responsibility and civil society.

Furthermore, two practical limitations related to data gathering need to be discussed. The first involves the amount of data gathered and the second the sources of that data. In articles B, C, and D the amount of data, especially the number of interviews, is relatively small. However, the data are seen as sufficient for developing theory (in article B) or for using and describing the CR models in articles C and D. Most of the data in articles B and C came from company sources (article D also includes media text analysis), which can give a one-sided and potentially overly positive view of NGO engagement. Nonetheless, since the focus of the thesis is on engagement from the company side including company motives, the organization of responsibility for NGO relations and various stakeholder management strategies, practices and tools, data on NGO perceptions and tactics fell outside the scope of the research.

6. Summary of Articles and Conclusions

This thesis consists of four articles, which form Part 2. These articles are introduced in the following section. After describing the key findings of each article, the general theoretical and managerial implications of the entire thesis are discussed and avenues for further research are provided.

6.1. Summary of Articles

This thesis examines the relationships between corporations and nongovernmental organizations (NGOs). It consists of four articles, which are summarized below. Article A is a literature review of company-NGO interface research, article B is a case study of NGO engagement in different countries, article C is a multiple case study on the outcomes of engagement from the corporate responsibility perspective, and article D is a multiple case study on socially responsible purchasing.

6.1.1. Article A: Literature Review of Company-NGO Interface Research

Article A is a co-authored paper with Salla Laasonen entitled “Nongovernmental Organizations in Business and Society, Management, and International Business Research – Review and Implications from 1998 to 2007”. The article is forthcoming in *Business & Society* (Kourula & Laasonen, forthcoming 2010).

The motivation for the paper is that a comprehensive longitudinal analysis of the literature on company-NGO relationships had not been conducted. The objective is to evaluate the state of research on the topic area. This literature review paper presents how the relationship between companies and nongovernmental organizations has been

examined in business and society, management, and international business literatures. Altogether 88 relevant studies are identified through an analysis of abstracts in eleven main journals in these fields. Four key journals in the field of business and society are included: *Business Ethics Quarterly* (BEQ), *Business & Society* (BAS), *Business Strategy and the Environment* (BSE), and *Journal of Business Ethics* (JoBE). Five main academic-oriented journals in management research were chosen: *Administrative Science Quarterly* (ASQ), *Academy of Management Journal* (AMJ), *Academy of Management Review* (AMR), *Organization Science* (OrgSci), and *Strategic Management Journal* (SMJ). Finally, two international business journals are also analyzed: *Journal of International Business Studies* (JIBS) and *Management International Review* (MIR). Articles are classified into three categories based on their focus: 1) NGO-business interface, 2) NGO-business-government interface, and 3) studies, which discuss NGOs only as one of many stakeholders.

The study finds that the topic has attracted steadily increasing interest in the fields of business and society, international business and management, especially in the past few years. The different categories of research areas presented in this study – NGO-business interface, NGO-business-government interface and NGOs mentioned as a stakeholder group among many – have received similar amounts of attention. Although quite a large number of studies on the topic exist, they are still quite rare in management and international business journals.

In terms of theoretical foundations of the papers, business and society journals tend to follow loosely the stakeholder approach and, to some extent, the resource-based view. In contrast to business and society, management and IB journals utilize and develop a wide variety of theories: especially AMR articles utilizing transaction cost, institutional, social movement, social identity, stakeholder, organizational justice, corporate governance, and varieties of capitalism theories. Approximately 40% of the articles included empirical analysis. When observing methodological choices, single and multiple case studies are dominant in business and society journals. Management journals use more quantitative data analysis methods, commonly for building new theory or constructs.

Six key areas of focus can be identified in the articles: 1) activism and NGO influence, 2) dyadic partnership (NGO-business), 3) cross-sector partnership (NGO-business-government), 4) global governance and standardization, 5) national level governance, and 6) stakeholder management. The paper provides a number of suggestions for further research.

6.1.2. Article B: Case Study of Company-NGO Engagement in Different Institutional Contexts

Article B is a single authored paper entitled “Corporate Engagement with Nongovernmental Organizations in Different Institutional Contexts – A Case Study of a Forest Products Company”. The article is forthcoming in *Journal of World Business* (Kourula, forthcoming 2010).

This embedded single case study analyzes engagement by Stora Enso, a global forest product company, with nongovernmental organizations (NGOs) globally and in five countries: the home country, Finland, and in the host countries Brazil, China, Poland and Russia. The paper presents how the case company organizes NGO engagement on a strategic, organizational and practical level.

The paper has three key theoretical contributions. Firstly, NGO engagement forms are categorized into three general engagement strategies (sponsorship, dialogue and partnership). Thus, different forms and strategies of engagement between companies and NGOs were analyzed simultaneously as well as comparatively; this is in contrast to existing studies, most of which focus on a single form. Hence, the collaboration portfolio first discussed by Austin (2000), is elaborated and widened to include adversarial relations. Second, a general model of international corporate responsibility is adapted to the NGO context (van Tulder & van der Zwart, 2006, 253) and studied empirically. This modified model introduces the new concept of civil society distance into international

business literature and analyzes it empirically. Thirdly, the paper develops nine propositions based on the case study – four on the link between company engagement motives and engagement strategies, four on the effect of civil society distance measures on engagement strategies, and one on the effect of inexperience on engagement.

6.1.3. Article C: Corporate Responsibility and Outcomes of Company-NGO Engagement

Article C is a co-authored paper with Minna Halme entitled “Types of Corporate Responsibility and Engagement with NGOs: An Exploration of Business and Societal Outcomes”. The paper has been published in *Corporate Governance: The International Journal of Business in Society* (Kourula & Halme, 2008).

This paper looks at company-NGO engagement from the lens of corporate responsibility. It classifies various corporate responsibility (CR) actions into three types – philanthropy, CR integration and CR innovation – and examines various forms of corporate engagement with nongovernmental organizations (NGOs) through this categorization. A key research gap within research on company-NGO engagement is the lack of studies on the outcomes of engagement. This paper discusses the societal and business outcomes by examining different types of engagement. Thus, the focus is not on the company as a whole, which is commonly the case, but on specific company projects and programs.

The study analyzes 20 examples of company-NGO collaboration involving Hindustan Unilever, Nokia and Stora Enso, which are the three case companies. The cases were studied on the basis of a revelatory sampling and data were gathered through documentary research of corporate sustainability reports, project reports and websites. Data analysis focuses on engagement forms, business and societal outcomes of engagement and uses a categorization of CR.

The study finds that different CR types involve different forms of cooperation ranging from sponsorship to partnership. Furthermore, CR integration and CR innovation seem to have more potential for long-term positive business outcomes than philanthropy. In terms of societal outcomes, CR innovation seems to have the highest potential for creating local income-generating mechanisms and supporting local self-sufficiency. The paper contributes a new pragmatic categorization of CR types, and it analyzes the business and societal outcomes of different types of company-NGO engagement.

6.1.4. Article D: Socially Responsible Purchasing

Article D is a co-authored paper with Irina Haltsonen and Asta Salmi entitled “Stakeholder pressure and socially responsible purchasing”. The paper has been published in *Finance Marketing & Production* (Haltsonen, Kourula & Salmi, 2007).

This paper examines the socially responsible purchasing strategies, organizational forms and tools that retail companies have adopted in reaction to increasing stakeholder pressure. The international purchasing operations of three Nordic retail companies – Swedish Hennes & Mauritz and Ikea and Finnish Kesko – were analyzed from 1990 to 2004. Stakeholder pressure was analyzed by focusing on external stakeholder groups – NGOs, media and customers.

There has been growing research interest in socially responsible purchasing. Commonly, specific issues such as child labor (Kolk & Van Tulder, 2002), corruption (Millington, et al., 2005) and reputation (Roberts, 2003) have been addressed. Studies have also focused on industries such as coffee (Kolk, 2005) and sporting goods (van Tulder & Kolk, 2001; Mamic, 2005). Most studies focus on specific tools (especially codes of conduct). Research on specific countries has also been conducted (Jorgensen & Knudsen, 2006, on Denmark; Cooper, et al., 2000, on India, US, UK and Canada). In terms of methodology, case studies of large companies have been commonly used to study responsible purchasing (Winstanley, et al., 2002; Graafland, 2002). However, research on socially

responsible purchasing is limited in terms of multiple cross-industry case comparisons of responsible purchasing strategies in response to stakeholder pressure – especially on development over time. This article aims to fill this research gap.

In this multiple case study, data were gathered with interviews of corporate responsibility managers and documentary research (media text analysis). The case companies were chosen on the basis of their similarities – they are internationally operating retail companies whose success relies heavily on the success of purchasing operations – and on the fact that the Swedish case companies had been the subject of strong criticism in the past for their lack of responsibility in purchasing, while the Finnish company had not.

In this paper, the responses of the case companies to stakeholder pressure are categorized as reactive, defensive, accommodative or proactive following a classification developed by Maignan et al. (2002). The case companies have been subject to different types and amounts of stakeholder pressure and have responded in different ways. H&M's socially responsible purchasing strategy has shifted from reactive to accommodative with proactive aspects. Ikea's strategy has shifted from reactive to defensive and then to accommodative with proactive elements. Kesko's strategy has generally been accommodative or proactive. In terms of organizational structure, the case companies have either developed their own network of purchasing offices or outsourced supply chain auditing to NGOs. The practices used by companies include implementing codes of conduct, cooperating with NGOs, using purchasing standards, adding appendices to agreements covering social aspects, sending questionnaires to suppliers and starting supplier audits.

6.2. Theoretical Contributions

The contribution of this thesis is in gaining a better understanding of four interrelated and important global changes. The first is the rapid rise of NGO numbers and influence. Secondly, at the same time companies have also become increasingly influential and

started defining more explicitly their responsibilities and managing their stakeholders more systematically. Thirdly, while both these above-mentioned private sector or civil society actors have experienced significant changes, they have started to interact in whole new ways – cross-sector collaboration is seen as a potentially very valuable tool to address local and global problems. Finally, we have also seen a rise of a new voluntary global governance infrastructure where each societal sector and related actors have played a part.

In attempting to understand these wide trends, the thesis has two key contributions: bringing geographic and institutional context to company-NGO engagement research and developing and refining corporate responsibility frameworks. In bringing geographic and institutional context to research on the topic, the thesis provides several theoretical developments. The key contribution to international business is in advancing the literature on different types of distance concepts. This is achieved by presenting a new distance measure related to civil society – civil society distance – and by conducting cross-national comparative research on the topic. The thesis also examines the role of geographic context in the development of corporate responsibility. This is achieved by adapting van Tulder and van der Zwart's (2006, 253) international corporate responsibility model to the NGO context. Finally, a key theoretical development is the presentation of propositions on the role of national NGO base (i.e. the effect of civil society distance) in company-NGO engagement.

In terms of developing corporate responsibility models, the thesis provides several theoretical developments which contribute to business and society literature in general. One of these theoretical developments is building a comprehensive framework of company-NGO engagement including company and NGO characteristics, motives, challenges, process and outcomes of engagement.

Additionally, NGO engagement forms are categorized into three general engagement strategies (sponsorship, dialogue and partnership) and the collaboration portfolio first discussed by Austin (2000), is elaborated and widened to include adversarial relations.

Furthermore, two models or categorizations in the field of corporate responsibility are developed and empirically examined. Firstly, a model presenting three types of corporate responsibility actions (Halme & Laurila, 2008) – philanthropy, CR integration and CR innovation – is evaluated in the NGO context. Secondly, a classification of corporate responses to stakeholder pressure (Maignan *et al.*, 2002) – including reactive, defensive, accommodative or proactive approaches – is used to examine socially responsible purchasing empirically. While the various categorizations presented in the thesis are relatively similar, they also have differences in focus. Philanthropy, CR Integration and CR Innovation is a pragmatic action based typology to determine the relationship of CR activity to core business and target of responsibility and is relevant to all CR activities and not only company-NGO relations. The sponsorship, dialogue and partnership categorization emphasizes the type of exchange and commitment between two actors (the NGO and the company) and is seen as relevant especially to company-NGO relations. The level of commitment between the actors starts from a simple exchange developing into consultation and dialogue and ultimately into a strategic partnership can also be understood as a stages model of increasing commitment although this is not examined empirically. Finally, the reactive, defensive, accommodative and proactive categorization focuses on the type of CR or socially responsible buying approach taken towards stakeholder pressure and claims. What is more, a hypothesis that CR integration and CR innovation seem to have more potential for long-term positive business outcomes than philanthropy is presented. This hypothesis has important implications for researchers and practitioners in terms of understanding the outcomes of corporate responsibility.

Finally, propositions are developed on the link between company engagement motives and engagement strategies and on the effect of inexperience on engagement. Thus, the contribution to business and society literature is in the development and utilization of theoretical models, the evaluation of outcomes of engagement, and the examination of stakeholder pressure and its effect on corporate operations in a longitudinal and cross-case comparative setting.

6.3. Managerial Implications

This thesis has several managerial implications. Companies are faced with complex stakeholder, institutional and cultural environments, often with various stakeholders expressing different or even opposing claims. Companies need to understand the global pressures and opportunities related to the creation of partnerships, forms of voluntary governance, stakeholder dialogue and philanthropy. Differences between the civil societies of various countries should be taken into consideration as one factor in multinational management and internationalization decisions.

On a strategic level, companies need to develop a comprehensive understanding of NGO engagement, including alignment of strategy for engagement, objectives, organizational forms and practical tools, and outcomes of engagement. Like corporate responsibility and sustainability, NGO engagement can be seen as a strategic issue that is linked to business performance. A proactive stance can provide a company with various benefits, although the reactive, defensive and accommodative approaches can also be adopted, depending on the amount of stakeholder pressure the company experiences.

Various models can be adopted for organizing NGO engagement: 1) decentralized responsibility within functions or geographically, but coordinated through a committee at headquarters level; 2) decentralized and uncoordinated; and 3) centralized and coordinated. As expressed in Article B, each type of organizational structure can bring different benefits. In terms of socially responsible purchasing, the companies analyzed in article D have either developed their own network of purchasing offices or outsourced supply chain auditing to NGOs.

To respond to this stakeholder pressure and to define their corporate responsibility, companies should develop and improve models and tools for identifying and prioritizing appropriate NGOs and engaging with these organizations. In the engagement with NGOs, corporations can adopt a portfolio approach to evaluating strategic choices (sponsoring, entering into dialogue and partnering) that can be used simultaneously with different

emphases. Portfolio thinking can help develop NGO relationships and allocate corporate resources efficiently and effectively. Companies should also match their engagement motives and objectives with cooperation strategies and forms.

The thesis also introduces tools for issue and NGO identification including country level analyses, systematic dialogues with various stakeholders, surveys, and lists of actively followed NGOs, as well as practices to improve socially responsible purchasing including implementing codes of conduct, cooperating with NGOs, using purchasing standards, adding appendices to agreements covering social aspects, sending questionnaires to suppliers and starting supplier audits. To be able to assess the benefits and disadvantages of NGO engagement, especially in comparing different CR projects or programs, simple and measurable indicators of business and social benefits need to be further developed.

6.4. Avenues for Further Research

This thesis brings forth several avenues for further research. All in all, based on the trend depicted in article A, research on company-NGO engagement can be expected to increase in the coming years. Business and society has functioned as a catalyst and much of the research has been conducted in this field. Nonetheless, discussions on the topic need to break the barriers of business and society literature. General management is a way to mainstream the topic and more and more articles are likely to be published in the mainstream general management and international business journals.

International business in particular seems to be lagging behind (Teegen, et al., 2004) and will hopefully catch up. The role of national and local institutional and cultural context and the development of the concept of civil society distance are potentially fruitful avenues of research. Secondly, although there is some variance in the theoretical base, there seems to be room for utilizing different approaches to bring out new interesting aspects of the relationship between companies and NGOs. Two theoretically rich avenues are political philosophy and corporate responsibility. Political philosophy and theories

could be combined to existing research to gain a better understanding of the role of NGOs in the NGO-business-government interface and the emergence of a new global governance and corporate responsibility infrastructure. Corporate responsibility frameworks, especially the categorization into philanthropy, CR integration and CR innovation, should be developed and tested empirically. In terms of use of theories, Roome (2009) criticizes heavily the dominant approaches of stakeholder theory, corporate responsibility and business ethics and calls for more ‘systems’ perspectives analyses. Thirdly, methodological approaches such as larger data sets, modeling of decision-making and network analyses should be used to further theory development and testing.

Finally, studies on the topic have examined various geographical levels – global, international, national and local. Surprisingly few studies go in-depth into a specific local environment – especially longitudinal studies in a local environment would be interesting. This type of research would also be valuable to provide a better understanding of the business and societal outcomes of engagement and related indicators. All things considered, further studies on the above described topic areas are needed to improve our understanding of the relationship between NGOs and companies.

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PART 2: ARTICLES

Article A:

Kourula, A. & Laasonen, S. (forthcoming 2010). Nongovernmental organizations in business and society, management, and international business research – Review and implications from 1998 to 2007. *Business & Society*, 49(1).

Article B:

Kourula, A. (forthcoming 2010). Corporate engagement with non-governmental organizations in different institutional contexts – A case study of a forest products company. *Journal of World Business*, 45(4).

Article C:

Kourula, A & Halme, M. (2008). Types of corporate responsibility and engagement with nongovernmental organizations: An exploration of business and societal outcomes. *Corporate Governance: The International Journal of Business in Society*, 8(4), 557 – 570.

Article D:

Haltsonen, I., Kourula, A. & Salmi, A. (2007). Stakeholder pressure and socially responsible purchasing. *Finanza Marketing e Produzione* (Finance Marketing and Production), September, 47-56.

Nongovernmental Organizations in Business and Society, Management, and International Business Research

Review and Implications From 1998 to 2007

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This review shows how the relationship between nongovernmental organizations (NGOs) and businesses has been examined in business and society, management, and international business (IB) literatures. Altogether 88 relevant studies have been identified through the analysis of article abstracts from 11 leading journals in these fields. The articles have been classified into three categories according to their focus: NGO–business interface, NGO–business–government interface, and NGOs as one of many corporate stakeholders. Six main themes are identified: (a) Activism and NGO influence, (b) dyadic partnership (NGO–business), (c) cross-sector partnership (NGO–business–government), (d) global governance and standardization, (e) national-level governance, and (f) stakeholder management. The state of the research topic is assessed, and implications and avenues for further research are provided.

Keywords: *nongovernmental organization; NGO; nonprofit; literature review*

The relationship between nongovernmental organizations (NGOs) and companies has received increasing interest from both academic and practitioner communities. Although the taxonomy related to NGOs remains

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diverse, NGOs can be defined as social, cultural, legal, and environmental advocacy and/or operational groups that have goals that are primarily non-commercial.¹ The growing interest in NGOs is partially due to their rapid growth in number and influence (Bendell, 2000; Boli & Thomas, 1997; Doh, 2003; Powell & Steinberg, 2006; Teegen, 2003). Furthermore, NGOs are increasingly becoming more international and constantly developing new tactics for engagement with business and have shifted from focusing on governments to businesses (Doh & Teegen, 2003). In the analysis of the NGO–business relationship, key research themes have included the different roles and strategies adopted by NGOs and their impact on companies (e.g., Humphreys, 2004; Kong, Salzman, Steger, & Ionescu-Somers, 2002; Spar & La Mure, 2003), the various forms of collaboration, for example, dialogue and partnerships (Argenti, 2004; Austin, 2000; Heugens, van den Bosch, & van Riel, 2002; Millar, Choi, & Chen, 2004; Rondinelli & London, 2003; Seitanidi & Crane, 2009), the study of NGOs from the aspects of global governance or voluntary regulation (Christmann & Taylor, 2002; Teegen, Doh, & Vachani, 2004), and NGOs and businesses as institutions or in different institutional contexts (Doh & Guay, 2006; Doh & Teegen, 2002).

The once adversarial relationship between NGOs and companies has undergone a shift toward becoming more cooperative and more dialogic in form. The rise of NGOs as relevant players, in addition to private and public sector actors, has been seen as one of the most significant processes related to the global environmental and social challenges of today. This raises the following questions: How has the discussion on this important subject evolved and where could it be heading? Does the scholarly discussion on NGOs have a different emphasis in different academic literatures?

The conceptual entity of business and society related literature remains heterogeneous or even fragmented. Concepts such as corporate social responsibility (CSR), environmental management, sustainable development, corporate governance, and business ethics have all established their place in academic debate. The challenge is, however, that these concepts often overlap. Inspired by this challenge, several reviews on CSR-related literature have been conducted. Egri and Ralston (2008) examined the extent to which corporate responsibility (CR) research has been mainstreamed into international management literature. Similarly, Lockett, Moon, and Visser (2006) have focused on CSR in mainstream management journals. De Bakker, Groenewegen, and den Hond (2005) have also focused on the same topic (CSR and corporate social performance [CSP]). Their bibliometric analysis included both specialized and mainstream journals. Thus, it is clear that CSR literature has been reviewed in numerous studies. However, a comprehensive analysis of the growing amount of literature on the NGO–business

relationship has not yet been completed. Thus, there is a need for a review and thematic categorization of current research.

This study sets out to fill that gap by conducting a systematic analysis of articles that focus on NGOs in academic journals in the literatures of (a) business and society, business ethics, CSR, and environmental management, which are collectively referred to here as *business and society* (for the sake of abbreviation), (b) general management (including organization studies and strategic management), and (c) IB during a 10-year period from 1998 to 2007. Thus, the key research question of the article is the following: What is the state of research on the NGO–business relationship as found in the literatures of business and society, management, and IB? This article answers the research question by identifying key themes in current research and emphasizes the implications for future study in each theme and the topic in general. The following sections of this article will discuss the method of conducting the review and present and discuss the findings and implications.

Method

In this review, a first critical choice was the journals to be analyzed. Although different literatures could have been examined (such as international relations, international political economy, marketing, economics of development, sociology, international affairs, and nonprofit sector research), the starting point of this study was to examine how NGOs have been studied in business and society, management, and IB literatures. By including both mainstream and specialized articles, it is possible to achieve a comparative setting between these two categories themselves and between other reviews carried out on CSR (see de Bakker et al., 2005; Egri & Ralston, 2008; Lockett et al., 2006). Research on the NGO–business relationship is a continuously growing topic, and therefore it is interesting and relevant to see how business and society literature acts as a catalyst for research in more general fields. Thus, it is important to examine how research on the topic has become mainstream in management and IB literatures (see Egri & Ralston, 2008). In business and society, four key journals were identified: *Business Ethics Quarterly* (BEQ), *Business & Society* (BAS), *Business Strategy and the Environment* (BSE), and *Journal of Business Ethics* (JoBE). BEQ and JoBE can be considered to be the leading journals in business ethics (and CSR), BAS is the leading journal in its field, and BSE is an important journal in the area of environmental management and CSR. In terms of management research, the five main academic-oriented (nonpractitioner)

journals in the Financial Times 40 list were chosen: *Administrative Science Quarterly* (ASQ), *Academy of Management Journal* (AMJ), *Academy of Management Review* (AMR), *Organization Science* (OrgSci), and *Strategic Management Journal* (SMJ). Similarly, the two IB journals in the Financial Times 40 list, *Journal of International Business Studies* (JIBS) and *Management International Review* (MIR), were chosen as the key journals representing IB. Table 1 describes the 11 journals included in the analysis.

The primary method used to identify relevant articles was to read all of the abstracts or author-supplied abstracts one by one. For the 11 journals, all the abstracts of all the articles that are available through Business Source Premier (EBSCO) and ABI/INFORM ProQuest electronic databases were read to make sure that no relevant articles were left out due to the variety of concepts and terminology associated with NGOs.² A supplementary check was conducted through a second method: keyword search. The contents of the abstracts or the author-supplied abstracts of journal articles were searched one journal at a time through the use of keywords that are commonly used to refer to NGOs. Keywords that are associated with collaboration and partnership were also added.³ However, it should be emphasized that the keyword search was only a supplementary method because the list of chosen keywords is not exhaustive, and numerous relevant articles could have been left out, especially in cases where NGOs were referred to indirectly. According to the primary method, an article was either included or excluded based on the content and context of the article.

After the choice of relevant journals, the next critical question was relevance in article choice. The key criterion used in this analysis was some reference to the NGO–business relationship in the title or abstract. Therefore, in the primary method, phase all articles that had some kind of reference to NGOs and business were taken for further examination. As very few management and IB article abstracts referred directly to NGOs, articles with indirect references were included more readily than they were for business and society journals. As mentioned, the focus of this study is on NGOs working in the fields of world polity, welfare, environment, human rights, and community development. If civil society or local communities were mentioned, the requirement was that a reference was made to some kind of group. Political parties, trade unions, and professional and business associations were not included in the analysis. International and intergovernmental organizations, such as the International Labour Organization, United Nations, and International Organization for Standardization (ISO), were also excluded (although the latter can be considered a quasi NGO). Social Accountability 8000, AA1000, and Fair Trade studies were included, as

Table 1
Key Characteristics of the Analyzed Journals

Academic Field	Journal Title	Affiliation	Focus
Business and society	<i>Business Ethics Quarterly</i>	Society for Business Ethics	"Application of ethics to the international business community"
	<i>Business & Society</i>	International Association for Business and Society	"Relationship between business and society"
	<i>Business Strategy and the Environment</i>	The Greening of Industry Network	"Understanding of business responses to improving environmental performance"
	<i>Journal of Business Ethics</i>	European Business Ethics Network	"Ethical issues related to business" from "broadest possible scope"
Management (general)	<i>Administrative Science Quarterly</i>	Cornell University	"Organization studies"
	<i>Academy of Management Journal</i>	Academy of Management	"Empirical research that tests, extends, or builds management theory"
	<i>Academy of Management Review</i>	Academy of Management	"New theoretical insights that advance our understanding of management and organizations"
	<i>Organization Science</i>	Institute for Operations Research and the Management Sciences	"Fundamental research about organizations"
	<i>Strategic Management Journal</i>	Strategic Management Society	"All aspects of strategic management"
International business	<i>Journal of International Business Studies</i>	Academy of International Business	"Research on International Business"
	<i>Management International Review</i>	Published by Gabler	"Applied research in the fields of international management"

Source: Journal Web sites.

SA8000 and AA1000 are NGO certification mechanisms and Fair Trade labels are usually NGO based. Apart from the above-mentioned exclusions, some articles mentioned NGOs in some implicit form, but their relevance to this article was trivial. A decision about the inclusion or exclusion of those articles was made after careful discussion of each individual article.

After reviewing the results of the abstract analysis, all articles were initially classified into three main categories based on the actors involved in the setting. First, the purpose was to see what proportion of articles emphasized the dyadic nature of the NGO–business relationship. The first category, thus, contains articles in which the focus is on two actors and their relationship. The nature of the relationship may be both adversary or collaborative. Second, the emphasis was on how the blurring of the boundaries of public, private, and third sectors was visible in the data. The interest was on how NGOs were examined in the wider societal context in which they were seen as counterparts to public and private sector actors. These cross-sectoral approaches thus formed the second category, the NGO–business–government interface. Third, NGOs were frequently mentioned as one stakeholder among others, but on the whole, they did not receive a major emphasis in the article they were mentioned in. Similarly, although often described as powerful watchdogs, they often received minor attention in an article. Thus, three general categories emerged as a result of the previously described inductive process: (a) NGO–business interface, (b) NGO–business–government interface, and (c) NGOs as one of many corporate stakeholders. A further categorization of studies into main research themes is presented in the discussion and implications section. Out of many possible classifications of articles, an actor-specific and thematic categorization as described above was seen as the most fruitful in terms of evaluating the state of research on the topic and discussing the implications to future study.

The articles of the journals in question from the years between 1998 and 2007 were analyzed according to both methods. Altogether 88 articles were identified with the help of the abstract analysis and keyword search. While being analyzed, the articles were categorized on spreadsheets according to terminology, organizational perspective, theme/focus, theoretical foundation, methodological approach, and key findings.

Quantitative Overview of Articles

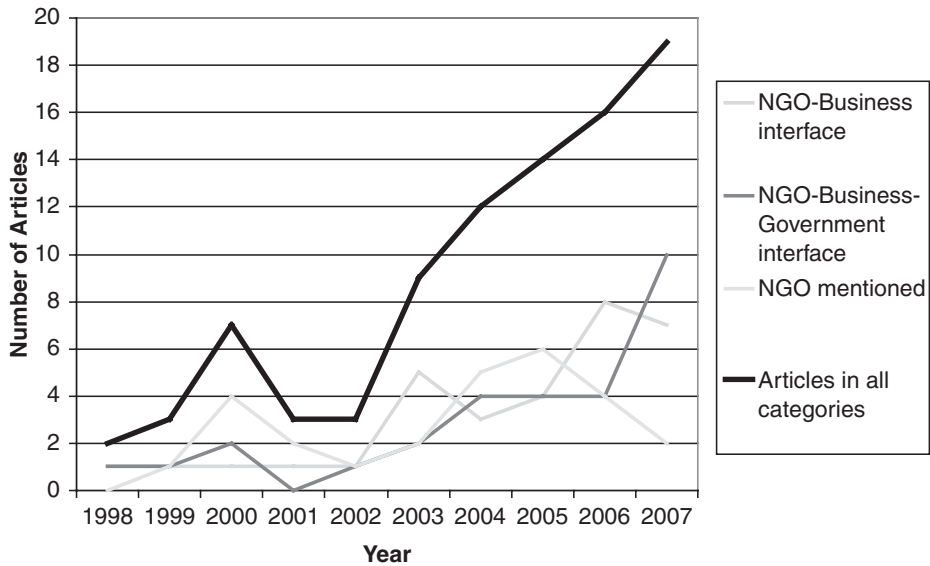
The review identified a total of 88 articles. The number of articles by focus and journal is presented in Table 2.

Table 2
Number of Articles Analyzed by Focus and Journal

Focus	Journals											Total
	Business Ethics Quarterly	Business & Society	Business Strategy and the Environment	Journal of Business Ethics	Academy of Management Journal	Academy of Management Review	Administrative Science Quarterly	Organization Science	Strategic Management Journal	Journal of International Business Studies	Management International Review	
NGO–business interface	2	4	6	14	0	3	1	0	2	0	0	32
NGO–business–government interface	1	4	4	12	2	3	0	1	0	1	1	29
NGO mentioned	5	4	3	12	0	1	0	1	1	0	0	27
Total	8	12	13	38	2	7	1	2	3	1	1	88

Note: NGO = nongovernmental organization.

Figure 1
Total Number of Articles Over Time and by Category Over Time



In terms of the number of articles, all four business and society, business ethics, and CSR journals seem to be important outlets for NGO-related studies, but the JoBE had a much larger number of articles than other journals in these fields. In the field of management, the key outlet for NGO studies seems to be the theoretical AMR. All in all, studies are distributed rather equally in terms of category: About 36% of studies deal with the NGO–business interface, about 33% with the NGO–business–government interface, and about 31% are studies where NGOs are mentioned as one company stakeholder among many others. Figure 1 presents the total number of articles over time and by category over time.

The total number of articles on the topic has grown in the period of analysis, with a rapid rise since 2002. The number of NGO–business articles has risen in number especially in the past few years, the number of NGO–business–government articles has increased relatively steadily since 2001, and the number of articles where NGOs are only mentioned seems to fluctuate more as it has had peaks in 2000 and 2005.

The methodological and geographical orientations of the articles are presented in Table 3 and Table 4. In terms of methodology, we made a distinction between theoretical and/or conceptual articles and empirical articles.

Table 3
Primary Methodological Orientation of Articles

Journal	Number of Theoretical/ Conceptual Articles	Number of Empirical Articles
<i>Business Ethics Quarterly</i>	7	1
<i>Business & Society</i>	3	9
<i>Business Strategy and the Environment</i>	3	10
<i>Journal of Business Ethics</i>	12	25
<i>Academy of Management Journal</i>	0	3
<i>Academy of Management Review</i>	7	0
<i>Administrative Science Quarterly</i>	0	1
<i>Organization Science</i>	0	2
<i>Strategic Management Journal</i>	0	3
<i>Journal of International Business Studies</i>	1	0
<i>Management International Review</i>	1	0
Total	34	54

Table 4
Primary Geographical Orientation of Articles

Journal	Global	International	National	Local
<i>Business Ethics Quarterly</i>	6	2	0	0
<i>Business & Society</i>	5	2	3	2
<i>Business Strategy and the Environment</i>	2	2	9	0
<i>Journal of Business Ethics</i>	15	7	15	0
<i>Academy of Management Journal</i>	0	1	2	0
<i>Academy of Management Review</i>	6	0	0	1
<i>Administrative Science Quarterly</i>	0	0	1	0
<i>Organization Science</i>	1	0	1	0
<i>Strategic Management Journal</i>	1	0	2	0
<i>Journal of International Business Studies</i>	1	0	0	0
<i>Management International Review</i>	1	0	0	0
Total	38	14	33	3
Total, %	43.2%	15.9%	37.5%	3.4%

Of all articles, 61.4% were empirical and 38.6% either theoretical and/or conceptual.

In terms of geographical focus, the articles were classified into primarily global (approximately 43.2% of articles), international (approximately 15.9%), national (approximately 37.5%), and local (approximately 3.4%). International studies examined either the cross-border or regional (such as

European Union) level, whereas global studies adopted a worldwide perspective. About 60% of the articles dealt with the global or international aspect of the business–NGO relationship. The countries that were examined in national and local articles included the Netherlands (2), Sweden (2), Germany (1), United Kingdom (6), Myanmar (1), Hungary (1), Brazil (3), Nigeria (1), Australia (2), Spain (4), United States (8), Canada (2), and France (1); two articles dealt with business–NGO engagement on a national or local level without specifying the location.

In the following sections, articles are analyzed by academic field, first, in business and society and, second, in management and IB. This is done to facilitate a comparative setting. Within these literatures, articles are categorized as addressing specifically the business–NGO relationship, the business–government–NGO interface, or whether NGOs are only mentioned as one stakeholder among many others.

NGOs in Business and Society Literature

Altogether, 71 articles were identified in the business and society literature, and they are presented in Table 5.

The first category of articles has an emphasis on the NGO–business relationship. In chronological order, the first of the 26 articles to address the NGO–business relationship is Grolin’s (1998) article on Shell’s Brent Spar case (see also van den Bosch & van Riel, 1998; Zyglidopoulos, 2002). The case gained widespread media attention at that time and is a good example of the increasing role and influence of NGOs. The lesson from the case was, according to Grolin (1998), that new and trustworthy forms of dialogue should be developed. After 10 years, Gilbert and Rasche (2007) and Palazzo and Scherer (2006), among others, took up this challenge by examining the preconditions for meaningful engagement. Nevertheless, although the Brent Spar was a case of conflict, several other articles have examined more cooperative cases. The success story of the Greenpeace–Foron alliance acts as a counterbalance to the failures in the Brent Spar case (Stafford, Polonsky, & Hartman, 2000), and Harvey and Schaefer (2001) focused on water and electricity utilities. Both cases are examples of successful collaboration, which prove that the NGO–business relationship can be successful.

In addition to these single case studies, the Greening of Industry Network held a conference in 1998 in Rome on partnerships. A special issue review article by Hartman, Hofman, and Stafford (1999) draws together the discussion on the theme, which includes a wide variety of perspectives.

Table 5
Business and Society Articles by Category

Category	Journal	Author(s)	Year	Title
NGO-business	<i>Business Ethics Quarterly</i>	Gilbert and Rasche	2007	Discourse ethics and social accountability: The ethics of SA8000
	<i>Business Ethics Quarterly</i>	Arya and Salk	2006	Cross-sector alliance learning and effectiveness of voluntary codes of corporate social responsibility
	<i>Business & Society</i>	Hendry	2006	Taking aim at business: What factors lead environmental non-governmental organizations to target particular firms?
	<i>Business & Society</i>	Schepers	2006	The impact of NGO network conflict on the corporate social responsibility strategies of multinational corporations
	<i>Business & Society</i>	Rehbein, Waddock, and Graves	2004	Understanding shareholder activism: Which corporations are targeted?
	<i>Business & Society</i>	Hendry	2003	Environmental NGOs and business (dissertation abstract)
	<i>Business Strategy and the Environment</i>	Åhlström and Sjöström	2005	CSOs and business partnerships: Strategies for interaction
	<i>Business Strategy and the Environment</i>	Waygood and Wehrmeyer	2003	A critical assessment of how non-governmental organizations use the capital markets to achieve their aims: A U.K. study
	<i>Business Strategy and the Environment</i>	Heugens	2003	Capability building through adversarial relationships: A replication and extension of Clarke and Roome (1999)
	<i>Business Strategy and the Environment</i>	Stafford, Polonsky, and Hartman	2000	Environmental NGO-business collaboration and strategic bridging: A case analysis of the Greenpeace-Foron alliance
	<i>Business Strategy and the Environment</i>	Hartman, Hofman, and Stafford	1999	Partnerships: A path to sustainability
	<i>Business Strategy and the Environment</i>	Grolin	1998	Corporate legitimacy in risk society: The case of Brent Spar
	<i>Journal of Business Ethics</i>	Egels-Zandén and Hyllman	2007	Evaluating strategies for negotiating workers' rights in transnational corporations: The effects of codes of conduct and global agreements on workplace democracy
	<i>Journal of Business Ethics</i>	MacDonald and Whellams	2007	Corporate decisions about labelling genetically modified foods
	<i>Journal of Business Ethics</i>	Lozano, Albarada, and Balaguer	2006	Socially responsible investment in the Spanish financial market

(Continued)

Table 5 (continued)

Category	Journal	Author(s)	Year	Title
NGO– business– government	<i>Journal of Business Ethics</i>	Egels-Zandén and Hyllman	2006	Exploring the effects of union–NGO relationships on corporate responsibility: The case of the Swedish Clean Clothes Campaign
	<i>Journal of Business Ethics</i>	Palazzo and Scherer	2006	Corporate legitimacy as deliberation: A communicative framework
	<i>Journal of Business Ethics</i>	Rasche and Esser	2006	From stakeholder management to stakeholder accountability
	<i>Journal of Business Ethics</i>	Palazzo and Richter	2005	CSR business as usual? The case of the tobacco industry
	<i>Journal of Business Ethics</i>	Hendry	2005	Stakeholder influence strategies: An empirical exploration
	<i>Journal of Business Ethics</i>	MacDonald and Chrisp	2005	Acknowledging the purpose of partnership
	<i>Journal of Business Ethics</i>	Guay, Doh, and Sinclair	2004	Non-governmental organizations, shareholder activism, and socially responsible investments: Ethical, strategic, and governance implications
	<i>Journal of Business Ethics</i>	Graafland, Eijffinger, and SmidJohan	2004	Benchmarking of corporate social responsibility: Methodological problems and robustness
	<i>Journal of Business Ethics</i>	Valor Martinez	2003	Social alliance for fundraising: How Spanish nonprofits are hedging the risks
	<i>Journal of Business Ethics</i>	Zyglidopoulos	2002	The social and environmental responsibilities of multinationals: Evidence from the Brent Spar case
	<i>Journal of Business Ethics</i>	Harvey and Schaefer	2001	Managing relationships with environmental stakeholders: A study of U.K. water and electricity utilities
	<i>Business Ethics Quarterly</i>	Weber and Getz	2004	Buy brides or bye-bye bribes: The future status of bribery in international commerce
	<i>Business & Society</i>	Antal and Sobczak	2007	Corporate social responsibility in France: A mix of national traditions and international influences
	<i>Business & Society</i>	Schwartz and Weber	2006	A business ethics national index (BENI): Measuring business ethics activity around the world
	<i>Business & Society</i>	Blockson	2003	Multisector approaches to societal issues management (dissertation abstract)
	<i>Business & Society</i>	Boddewyn	2003	Understanding and advancing the concept of “nonmarket”

(Continued)

Table 5 (continued)

Category	Journal	Author(s)	Year	Title
	<i>Business Strategy and the Environment</i>	LaFrance and Lehmann	2005	Corporate awakening—Why (some) corporations embrace public–private partnerships
	<i>Business Strategy and the Environment</i>	Regéczi	2005	Limited partnership: The lack of sustainable development in relation to participation in Hungarian public–private partnerships
	<i>Business Strategy and the Environment</i>	Starik and Heuer	2002	Strategic inter-organizational environmentalism in the U.S.: A multi-sectoral perspective of alternating eco-policy roles
	<i>Business Strategy and the Environment</i>	Gunningham, Phillipson, and Grabosky	1999	Harnessing third parties as surrogate regulators: Achieving environmental outcomes by alternative means
	<i>Journal of Business Ethics</i>	Albareda, Lozano, and Ysa	2007	Public policies on corporate social responsibility: The role of governments in Europe
	<i>Journal of Business Ethics</i>	Griesse	2007a	Caterpillar's interactions with Piracicaba, Brazil: A community-based analysis of CSR
	<i>Journal of Business Ethics</i>	Griesse	2007b	The geographic, political, and economic context for corporate social responsibility in Brazil
	<i>Journal of Business Ethics</i>	Beschormer and Müller	2007	Social standards: Toward an active ethical involvement of businesses in developing countries
	<i>Journal of Business Ethics</i>	Nwankwo, Philips, and Tracey	2007	Social investment through community enterprise: The case of multinational corporations involvement in the development of Nigerian water resources
	<i>Journal of Business Ethics</i>	Detomasi	2007	The multinational corporation and global governance: Modelling global public policy networks
	<i>Journal of Business Ethics</i>	Egels-Zandén and Wahlqvist	2007	Post-partnership strategies for defining corporate responsibility: The business social compliance initiative
	<i>Journal of Business Ethics</i>	Singer	2006	Business strategy and poverty alleviation
	<i>Journal of Business Ethics</i>	Tracey, Phillips, and Haugh	2005	Beyond philanthropy: Community enterprise as a basis for corporate citizenship
	<i>Journal of Business Ethics</i>	Loza	2004	Business–community partnerships: The case for community organization capacity building
	<i>Journal of Business Ethics</i>	De la Questa González and Valor Matinez	2004	Fostering corporate social responsibility through public initiative: From the EU to the Spanish case
	<i>Journal of Business Ethics</i>	Van Luijk	2000	In search of instruments: Business and ethics halfway

(Continued)

Table 5 (continued)

Category	Journal	Author(s)	Year	Title
NGO mentioned	<i>Business Ethics Quarterly</i>	Campbell	2006	A human rights approach to developing voluntary codes of conduct for multinational corporations
	<i>Business Ethics Quarterly</i>	O'Higgins	2006	Corruption, under-development and extractive resource industry: Addressing the vicious cycle
	<i>Business Ethics Quarterly</i>	De George	2005	Intellectual property and pharmaceutical drugs: An ethical analysis
	<i>Business Ethics Quarterly</i>	Windsor	2004	The development of international business norms
	<i>Business Ethics Quarterly</i>	Dunfee and Hess	2000	The legitimacy of direct corporate humanitarian investment
	<i>Business & Society</i>	Dawkins	2005	First to market: Issue management pacesetters and the pharmaceutical industry response to AIDS in Africa
	<i>Business & Society</i>	Frooman and Murrell	2005	Stakeholder influence strategies: The roles of structural and demographic determinants
	<i>Business & Society</i>	Butterfield, Reed, and Lemak	2004	An inductive model of collaboration from the stakeholder's perspective
	<i>Business & Society</i>	Seifert, Morris, and Bartkus	2004	Having, giving, and getting: Slack resources, corporate philanthropy, and firm financial performance
	<i>Business Strategy and the Environment</i>	Delmas and Toffel	2004	Stakeholders and environmental management practices: An institutional framework
	<i>Business Strategy and the Environment</i>	Madsen and Ulhøi	2001	Integrating environmental and stakeholder management
	<i>Business Strategy and the Environment</i>	Strannegård	2000	Flexible couplings: Combining business goals and environmental concern
	<i>Journal of Business Ethics</i>	Rauflet and Gurguel do Amaral	2007	Bridging business and society: The Abring Foundation in Brazil
	<i>Journal of Business Ethics</i>	Levendis, Block, and Morrel	2006	Nuclear power
	<i>Journal of Business Ethics</i>	Hira and Ferrie	2006	Fair trade: Three key challenges for reaching the mainstream
	<i>Journal of Business Ethics</i>	Sullivan	2005	Code integration: Alignment or conflict?

(Continued)

Table 5 (continued)

Category	Journal	Author(s)	Year	Title
	<i>Journal of Business Ethics</i>	Pines and Meyer	2005	Stopping the exploitation of workers: An analysis of the effective application of consumer or socio-political pressure
	<i>Journal of Business Ethics</i>	Moore	2004	The fair trade movement: Parameters, issues and future research
	<i>Journal of Business Ethics</i>	Davies and Crane	2003	Ethical decision making in fair trade companies
	<i>Journal of Business Ethics</i>	Dando and Swift	2003	Transparency and assurance: Minding the credibility gap
	<i>Journal of Business Ethics</i>	Kolk and van Tulder	2002	Child labor and multinational conduct: A comparison of international business and stakeholder codes
	<i>Journal of Business Ethics</i>	Maynard	2001	Policing transnational commerce: Global awareness in the margins of morality
	<i>Journal of Business Ethics</i>	Rosthorn	2000	Business ethics auditing—More than a stakeholder's toy
	<i>Journal of Business Ethics</i>	Kaler	2000	Reasons to be ethical: Self-interest and ethical business

Note: NGO = nongovernmental organization.

One discussion that they specifically draw attention to is the idea of learning-action networks as tools for partnership. Heugens (2003) later applied the framework set out by Clarke and Roome (1999) to examine adversarial business–NGO relationships. He argued that even if there is an adversarial nature to a relationship, the parties can still build capabilities. Arya and Salk (2006) also focus on the learning perspective in alliances.

Moving on from partnership thinking to examining ways of influencing reveals that shareholder activism is a theme that has evoked numerous articles (Rehbein, Waddock, & Graves, 2004; Waygood & Wehrmeyer, 2003) as has socially responsible investment (SRI; Guay, Doh, & Sinclair, 2004; Lozano, Albareda, & Balaguer, 2006). In addition, more traditional forms of influence were also found. Hendry (2003, 2005, 2006) and Schepers (2006) specifically focus on NGO influence strategies' impact on corporate responsibility strategies. The NGO–business relationship is also examined from the NGO perspective. Certain subjects, such as defining CSR (Graafland, Eijffinger, & SmidJohan, 2004; Palazzo & Richter, 2005), improving labor rights (Egels-Zandén & Hyllman, 2006, 2007), and transparency in regard to genetically modified foods (MacDonald & Whellams, 2007), are examples of issues that have caused much debate between NGOs and business. Also partnership, and the financial motivation for it, has been viewed from the NGO perspective (MacDonald & Chrisp, 2005; Valor Martinez, 2003).

In summary, it can be argued that partnership and conflict go hand in hand. Ählström and Sjöström (2005) explicitly focus on this aspect. They map NGOs into four different types based on their strategic orientation toward partnership and conclude that only one certain type of NGO has the preconditions necessary for successful partnership.

Extending the NGO–business relationship to include governmental actors finds a total of 21 articles that examine the NGO–business–government interface. The shifting relationships of the public, private, and third sector were raised as a relevant business ethics research agenda by van Luijk (2000) as late as in 2000. Van Luijk argued that, unlike political and administrative scientists who have recognized this institutional challenge, business ethicists have thus far failed to address this issue. Later, especially in the year 2007, numerous articles with business–NGO–government interface as their focus were published. Community enterprises (Griesse, 2007a, 2007b; Loza, 2004; Nwankwo, Philips, & Tracey, 2007; Tracey, Phillips, & Haugh, 2005), CSR public policies at the European level (Albareda, Lozano, & Ysa, 2007) and national level (Antal & Sobczak, 2007; de la Questa González & Valor Martinez, 2004), ethics indices (Schwartz &

Weber, 2006), and Detomasi's (2007) global public policy networks at the global level represent the most comprehensive introductions of cross-sectoral partnerships, which are seen as substitutes to the short-sighted nature of philanthropy. Although several specific conceptualizations such as post-partnership strategies (Egels-Zandén & Wahlqvist, 2007) and combating bribery (Weber & Getz, 2004), are seen as cross-sectoral challenges, the more general interplay of the roles of governments, businesses, and NGOs in solving global problems is addressed in several articles (Blockson, 2003; Boddewyn, 2003; Gunninham, Phillipson, & Grabosky, 1999).

Although society may be seen as the main beneficiary of a cross-sector partnership, LaFrance and Lehmann (2005) focused on the gained increase in business legitimacy. Another focus is shown by Starik and Heuer (2002), who examine NGOs and business actors as influencers of the public policy formulation process. Regéczi (2005) viewed the setting from a Hungarian perspective and claimed that the national policy level hinders participation and cooperation. However, in this article the emphasis is more on the business–government relationship and places NGOs in a minor role. Therefore, there are numerous interests and beneficiaries in the cross-sectoral setting.

In the third category, the distinctive feature in all articles is that NGOs are mentioned as a source of social pressure along with other stakeholders. In 24 articles, NGOs are mentioned as watchdogs, sources of social pressure on the level of an individual manager (Kaler, 2000; Rosthorn, 2000), a company (Maynard, 2001), or an entire industry (Kolk & van Tulder, 2002; Levendis, Block, & Morrel, 2006; Pines & Meyer, 2005; Sullivan, 2005). In addition, 3 articles focus on the Fair Trade movement (Davies & Crane, 2003; Hira & Ferrie, 2006; Moore, 2004), 1 on a Brazilian foundation (Raufflet & Gurguel do Amaral, 2007), and they are also included in this category.

NGOs are also examined as catalysts or appliers of pressure for improved performance, monitors, and even consultants (Campbell, 2006; Dawkins, 2005; De George, 2005; O'Higgins, 2006; Windsor, 2004). However, in some cases, such as humanitarian investment, business is argued to be a more efficient actor than NGOs (Dunfee & Hess, 2000). Related to that theme, Seifert, Morris, and Bartkus (2004) argued that philanthropy does not have a significant effect on company financial performance. Finally, NGOs are also seen as just one of many stakeholders in two articles focusing on stakeholder influence (Froome & Murrell, 2005) and collaboration (Butterfield, Reed, & Lemak, 2004).

NGOs in Management and IB Literatures

The 17 articles identified as belonging to management and IB literatures are presented in Table 6.

Six management and IB articles deal specifically with the relationship between NGOs and businesses. Den Hond and de Bakker (2007) examined how activism influences corporate social change activities. They assumed that activists aim for field-level change, argued that the ideology of activists (radical vs. reformist) affects the tactics they employ, and discussed the range of tactics used. Rowley and Moldoveanu (2003) argued that, although research has assumed that stakeholder group action is interest based, stakeholder groups (especially NGOs) also act to develop their identities. However, King (2007) focused on the cooperative aspect of the NGO–business relationship from a transaction-cost perspective. He examined the necessary conditions for the codevelopment of technology between companies and environmental groups, partial property transfer, development of long-term relations, and separate corporate engagement groups. King and Soule (2007) argued that activists' protests are more influential when they target issues dealing with critical stakeholder groups, such as labor or consumers, and when they generate large media coverage. The article is grounded in social movement literature and utilizes an event study methodology. Eesley and Lenox (2006) and David, Bloom, and Hillman (2007) both employ Mitchell, Agle, and Wood's (1997) framework to evaluate stakeholder pressure. In the former article, the purpose is to see whether stakeholder pressure can evoke positive corporate reactions, and in the latter, the same is applied to investor activism. Interestingly, David et al. (2007) concluded that investor activism may actually divert managerial responses away from improving CSP to alternative political strategies to defend themselves from stakeholder pressures. Therefore, although NGOs are mentioned as only one stakeholder among many others, an emphasis is placed on them to the extent that they are put in the NGO–business category.

Eight management and IB articles deal more widely with the NGO–business–government interface. Hardy and Philips (1998) wrote about this relationship relatively early compared to other articles and called for a critical evaluation of the benefits and costs of cross-sectoral collaboration, especially in situations of unequal power relations and conflicting interests. Scherer and Smid (2000) also called for an increased need for cross-sectoral perspectives. As for IB, Teegen et al. (2004) argued that "IB research appears to lag behind other disciplines in considering NGOs and the broader societal

Table 6
Management and IB Articles by Category

Category	Journal	Author(s)	Year	Title
NGO-business	<i>Academy of Management Review</i>	Den Hond and de Bakker	2007	Ideologically motivated activism: How activist groups influence corporate social change activities
	<i>Academy of Management Review</i>	King	2007	Cooperation between corporations and environmental groups: A transaction cost perspective
	<i>Academy of Management Review</i>	Rowley and Moldoveanu	2003	When will stakeholder groups act? An interest- and identity-based model of stakeholder group mobilization
	<i>Administrative Science Quarterly</i>	King and Soule	2007	Social movements as extra-institutional entrepreneurs: The effect of protests on stock price returns
	<i>Strategic Management Journal</i>	David, Bloom, and Hillman	2007	Investor activism, managerial responsiveness, and corporate social performance
NGO-business-government	<i>Strategic Management Journal</i>	Eesley and Lenox	2006	Firm responses to secondary stakeholder action
	<i>Academy of Management Journal</i>	Bonardi, Holburn, and van den Bergh	2006	Nonmarket strategy performance: Evidence from U.S. electric utilities
	<i>Academy of Management Journal</i>	Kassinis and Vafeas	2006	Stakeholder pressures and environmental performance
	<i>Academy of Management Review</i>	Aguilera, Rupp, Williams, and Ganapathi	2007	Putting the S back in corporate social responsibility: A multilevel theory of social change in organizations
	<i>Academy of Management Review</i>	Campbell	2007	Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility
	<i>Academy of Management Review</i>	Bonardi and Keim	2005	Corporate political strategies for widely salient issues
	<i>Journal of International Business Studies</i>	Teegen, Doh, and Vachani	2004	The importance of nongovernmental organizations (NGOs) in global governance and value creation: An international business research agenda
	<i>Management International Review</i>	Scherer and Smid	2000	The downward spiral and the U.S. model business principles—Why MNEs should take responsibility for the improvement of world-wide social and environmental conditions
	<i>Organization Science</i>	Hardy and Philips	1998	Strategies of engagement: Lessons from the critical examination of collaboration and conflict in an interorganizational domain
	<i>Academy of Management Review</i>	Marquis, Glynn, and Davis	2007	Community isomorphism and corporate social action
NGO mentioned	<i>Organization Science</i>	Rao and Sivakumar	1999	Institutional sources of boundary-spanning structures: The establishment of investor relations departments in the Fortune 500 industrials
	<i>Strategic Management Journal</i>	Sharma and Henriques	2005	Stakeholder influences on sustainability practices in the Canadian forest products industry

Note: IB = international business; NGO = nongovernmental organization.

interests they represent” (p. 473). The authors proposed a new research agenda on NGOs in IB instead of only concentrating on the multinational firm as the preeminent global organization. Therefore, a call for more cross-sectoral approaches is apparent and is especially true for the IB field.

Bonardi, Holburn, and Van Den Bergh (2006) have developed a theory of the performance determinants of a firm’s nonmarket strategy in shaping public policy outcomes. Kassinis and Vafeas (2006) have examined stakeholders’ internal heterogeneity from a resource-dependence perspective and have found a positive relationship between community stakeholder pressures and environmental performance at the plant level. Aguilera, Rupp, Williams, and Ganapathi (2007) have created a typology of instrumental, relational, and moral motives at the individual, organizational, national, and transnational level that lead to CSR. The authors argued that NGOs affect companies’ CSR especially at the transnational level. Similarly, Campbell (2007) theorized that, among other institutional conditions, the presence of nongovernmental and other independent organizations that monitor corporate behavior is likely to lead to companies’ behaving in a more responsible way. Bonardi and Keim (2005) analyzed how adversarial business–NGO relationships affect public policy. The authors discussed how information and reputation cascades, driven by activists or NGOs, cause public policy issues to become widely salient.

Finally, three management and IB articles deal with NGOs as one of many corporate stakeholders. The main argument in all articles is that NGOs are a source of pressure (Sharma & Henriques, 2005) and a catalyst for change (Marquis, Glynn, & Davis, 2007; Rao & Sivakumar, 1999). The first case is from the forest industry, the second from community development, and the third from the financial sector. In all cases, NGOs have had a significant role in bringing about change.

Discussion and Implications

The main contribution of this article is a systematic review on the state of research on NGOs in academic journals in business and society, management, and IB literatures between the years 1998 and 2007. Figure 1 indicates that the topic has been receiving increasing interest in these fields, especially in the past few years. The different categories of research areas presented in this study (NGO–business interface, NGO–business–government interface, and NGOs mentioned as one stakeholder group among many others) seem to have received similar amounts of attention as depicted in Table 2. It is

especially interesting to see that, although quite a large number of studies on the topic exist, they are still quite rare in management and IB journals. All in all, in terms of the number of articles, interest in the general theme of this article has grown steadily.

In terms of terminology, it can be stated that *nongovernmental organization* is clearly the most commonly used term, although many other terms are also utilized. In articles where the relationship between an NGO and business is seen as adversarial, the terminology used is more varied: anti-market environmentalists, pressure groups, and activists. In articles in the NGO–business–government category, a more common way to refer to NGOs is as civil society actors, third sector actors, social movement actors, local community actors, nonmarket, and as other civil sector terms that do not necessarily refer to organized forms of engagement. U.S. based studies, especially in the field of management, commonly use the term *nonprofit*, which is most likely a reference to the taxation status of the organization.

In terms of theoretical foundations of the papers, business and society journals tend to follow loosely the stakeholder approach (especially JoBE and BSE) and, to some extent, the resource-based view. Nonetheless, a small number of studies also utilize alternative perspectives, such as those developed by Hobbes and Habermas, organizational learning literature, and alliance literature. In contrast to business and society, management and IB journals utilize and have developed a wide variety of theories, in particular AMR articles utilizing transaction cost, institutional, social movement, social identity, stakeholder, organizational justice, corporate governance, and varieties of capitalism theories. Although there is some variance in the theoretical base, there seems to be room for utilizing different approaches to bring out new interesting aspects of the relationship between business and NGOs. However, social movement literature and institutional theory (including concepts such as institutional fields and institutional entrepreneurship) are used surprisingly little. In addition, network theory and transaction cost analyses could be developed further. Key organizational theories, such as sense making and population ecology, are not utilized. Furthermore, political philosophy and theories could be combined to gain a better understanding of the role of NGOs in the NGO–business–government interface. IB studies on the importance of context, for instance, from a cultural perspective, would be a valuable addition to the literature. Finally, similar reviews than the one completed in this study could be conducted on different academic fields or literatures. Although various theories can be used to better understand the NGO–business interface, studying NGOs can also offer contributions to traditional management theories. NGOs have different

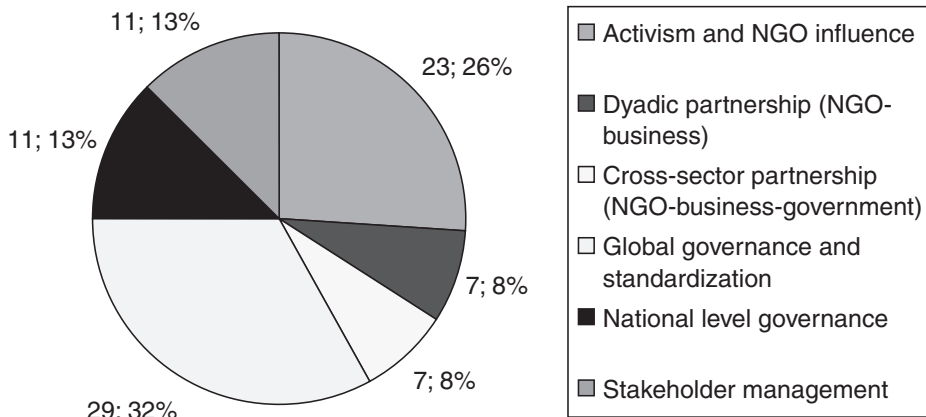
motives, purposes, organizational forms, governance structures, and practices than companies, and studying the NGO–business interface or NGOs and businesses comparatively can bring new insights into, for instance, alliance and governance theories.

Approximately, 40% of the articles included an empirical analysis. When observing the methodological choices, single (Grolin, 1998; Heugens, 2003; MacDonald & Chrisp, 2005; Stafford et al., 2000; Zyglidopoulos, 2002) and multiple case studies (Hendry, 2005) are dominant in business and society journals. These case studies are often used to either illustrate or apply theory. The management journals use more quantitative data analysis methods, commonly for building new theory or constructs. It seems that different methodological approaches, such as larger data sets, the modeling of decision making, and network analyses, could be utilized.

Through coding articles according to their main thematic orientation, six main themes were identified: (a) activism and NGO influence, (b) dyadic partnership (NGO–business), (c) cross-sector partnership (NGO–business–government), (d) global governance and standardization, (e) national level governance, and (f) stakeholder management. Figure 2 presents the number of articles in each of these themes.

The first theme, activism and NGO influence, emphasizes the NGO perspective and NGO motives, tactics, and influence strategies and includes 23 articles (or 26% of the analyzed articles). Within this first theme, three subthemes are focused on. First, articles on NGO influence strategies or stakeholder pressure (e.g., den Hond & de Bakker, 2007; Froomean & Murrell, 2005; Hendry, 2005, 2006) are often influenced by Froomean's (1999) theoretical study, which identified four types of strategies used by stakeholders to gain influence (direct withholding, direct usage, indirect withholding, or indirect usage) and classified them in relation to power and interdependence. A second subtheme is capital markets, shareholder activism, and SRI (e.g., David et al., 2007; Guay et al., 2004; Rehbein et al., 2004; Waygood & Wehrmeyer, 2003). Third, articles also deal with the NGO-related conditions of NGO–business engagement (e.g., Eesley & Lenox, 2006; Rowley & Moldoveanu, 2003; Schepers, 2006).⁴ Within this theme, potentially fruitful avenues for further study include NGO legitimacy, representativeness, accountability or responsibility, use of simultaneous adversarial and cooperative strategies by NGOs, evaluation of the effectiveness of NGO influence strategies, cross-national comparisons of activism, historical development and propagation of activist movements, and their use of new communication tools and organizational forms. Although shareholder activism is an especially interesting strategy that has received research attention,

Figure 2
Number of Articles by Theme



other influence strategies such as direct action offer new research opportunities. Corporate political activity is an important research theme in business and society literature, and NGO political activity toward companies especially through the activity of lobbying is a topic that seems to have received little attention.

The second theme is the dyadic NGO–business partnership. JoBE and BSE articles tended to emphasize the management of NGO relations, and there seems to be a movement from a philanthropy orientation in the studies toward an orientation that recognizes dialogue and, ultimately, partnership. Seven studies (or 8% of the articles analyzed) deal specifically with NGO–business partnerships (Ählström & Sjöström, 2005; Arya & Salk, 2006; Hartman et al., 1999; Heugens, 2003; King, 2007; MacDonald & Chrisp, 2005; Stafford et al., 2000), which are seen as a promising tool toward creating sustainability, especially in BSE. However, Ählström & Sjöström (2005) evaluated different NGO types with the conclusion that only a few types of NGOs are suitable for collaboration. Seven articles (or 8% of the articles analyzed) deal with the third theme of cross-sector partnerships (e.g., LaFrance & Lehmann, 2005). Unlike the second theme, these articles not only analyzed partnerships between all societal sectors (private, public, and civil society) but also the dyadic relationship between a company and an NGO. Articles examining community-level interactions and partnerships between societal sectors at the community level are included in this theme. Thus, the general theme of partnership (a combination of Themes 2

and 3) represented 16% of the articles analyzed. Within these two partnership themes, potentially fruitful avenues for further study include the development of partnerships over time, the analysis of power relations between different actors, the role of personal relationships in the development of partnerships, and the evaluation of business and societal outcomes. For instance, whether partnerships are more effective than philanthropy or the development of common standards or codes remains unanswered. In addition, further critical studies on partnerships would be welcome. For instance, the problems related to the partnerships themselves could be elaborated on, as could critical perceptions on partnerships within civil society as they seem to have received little research attention.

The fourth theme, global governance and standardization,⁵ includes 29 articles (or 32% of all articles) and includes two major subthemes. First, studies have dealt with NGO, business, and government initiatives related to global issues (e.g., De George, 2005; Dunfee & Hess, 2000; Gunningham et al., 1999; Weber & Getz, 2004). A second subtheme is the relationship between compulsory and voluntary regulation on a global level and the role of NGOs in the development of global standards and guidelines (e.g., Gilbert & Rasche, 2007; Kolk & van Tulder, 2002; O'Higgins, 2006; Windsor, 2004). The fifth theme, national-level governance, includes 11 studies (or 13% of the articles analyzed). These studies focus on the national level of the business–NGO interface and typically also include state actors and the division of labor between societal sectors (e.g., Antal & Sobczak, 2007; Regéczi, 2005). Thus, the general theme of governance (a combination of Themes 4 and 5) represented 45% of the articles analyzed. Within these two governance themes, potentially fruitful avenues for further study are numerous due to the wide scope of the themes. As it is necessary to examine the big picture in this type of research, studying these topics is also very challenging. Suggestions for further research include the development and institutionalization process of a standard or governance mechanism, the comparison of NGO involvement in different global issues and standards, and the evaluation of governance mechanisms and standards (not only in terms of efficiency but also of effectiveness, impact, sustainability, and democracy). Although specific standards and initiatives have been examined and reviews of various standards exist, the development of a new institutional framework for corporate responsibility and global governance raises new research questions. In particular, the interoperability of different mechanisms is a key future theme for research. It seems apparent that isomorphic forces are developing a common and comprehensive framework for responsibility and governance, but this should be researched

further. Importantly, the political implications of bypassing democratically governed institutions in global governance merits attention. An interesting article, which was not part of the analysis, is Matten and Crane's (2005) critical examination of the concept of *corporate citizenship*, which brings out the inherent political nature of corporate responsibility.

The sixth and final theme is articles that deal with company stakeholder management, which see NGOs as one stakeholder among many others (e.g., Delmas & Toffel, 2004; Harvey & Schaefer, 2001; Madsen & Ulhøi, 2001; Sharma & Henriques, 2005). In total, 11 articles (or 13% of the analyzed articles) fall under this theme. Influential articles not included in the analysis include Mitchell et al.'s (1997) seminal article on stakeholder theory and salience and Margolis and Walsh's (2003) review of studies on the link between CSR and corporate financial performance. Margolis and Walsh (2003) called for a deeper analysis of the business and societal outcomes of CSR, especially at the NGO–business interface because gaps seem to exist in this field. New categorizations of NGOs as corporate stakeholders (especially due to the wide variety of types of civil society actors) and the empirical testing of existing stakeholder models in the NGO–business interface are also interesting research topics.

In this article, we have discussed how research on the NGO–business relationship has developed, compared key studies in different academic literatures, and identified six main research themes. The question that remains to be answered is where research on the topic is headed. Based on the trend indicated in Figure 1, we expect research on the topic to increase in future years, and we would like to see studies utilizing new theoretical and cross-disciplinary approaches. More and more articles are likely to be published in mainstream general management journals, and there is likely to be more discussion on the topic, which is needed to break the barriers of business and society literature. Business and society has functioned as a catalyst, and general management is a way to mainstream the topic. Until now, few studies have been published in high-level management and IB journals. In fact, IB especially seems to be lagging behind (Teegen et al., 2004) but hopefully will catch up. In addition, a multitude of case studies exist, but more rigorous empirical research designs that use qualitative and quantitative approaches would lead to further theory development. The terminology used to refer to different forms of NGOs is varied, but we do not see a need for conformity. Furthermore, studies on the topic have examined various geographical levels: global, international, national, and local. All things considered, further studies on the above-described themes are needed to better understand the relationship between NGOs and businesses.

Notes

1. The focus of this study is on nongovernmental organizations (NGOs) working in the fields of world polity, welfare, environment, human rights, and community development. Thus, political parties, trade unions, and professional and business associations are not included in the analysis.

2. Electronic databases do not always make available special issue articles, for example, Doh and Guay (2004). Articles not available through these electronic databases are not included in the analysis.

3. The following 17 keywords were utilized: *nongovernmental*, *non governmental*, *non-governmental*, *NGO*, *nonprofit*, *non-profit*, *non profit*, *environmental group*, *civil* (as in civil society), *CSO* (as in *civil society organizations*), *third* (referring to the term *third sector*), *sector*, *activist*, *interest* (as in *interest group*), *movement*, *partnership*, *collab** (as in *collaboration* or *collaborative*).

4. A topic area not included in the review is studies where NGOs are the unit of analysis but not in relation to business. Although not included, it can be stated that such studies exist both in the fields of business and society (Knox & Gruar, 2007; MacDonald, McDonald, & Norman, 2002; van Oosterhout, 2006) and management (Galaskiewicz, Bielefeld, & Dowell, 2006; Huxham & Vangen, 2000; Lawrence, Hardy, & Phillips, 2002; Majchrzak, Jarvenpaa, & Hollingshead, 2007; Osterman, 2006). In addition, a few studies had a comparative setting between NGOs and businesses (Brower & Shrader, 2000; Cordano, Hanson Frieze, & Ellis, 2004; Egri & Herman, 2000). These were excluded because the focus of the analysis is on the relationship between NGOs and businesses.

5. A specific topic that was not included in this analysis is ISO standardization. Although not examined here, it can be stated that there has been important research conducted on ISO 9000 and 14001 standards in business and society (Darnall, 2006), international business (Christmann & Taylor, 2006), and especially in the field of management (Benner & Tushman, 2002; Boiral, 2007; Guler, Guillén, & Macpherson, 2002; King, Lenox, & Terlaak, 2005; Terlaak, 2007).

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Corporate engagement with non-governmental organizations in different institutional contexts—A case study of a forest products company

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ABSTRACT

This embedded single case study analyses a global forest products company's, Stora Enso's, engagement with non-governmental organizations (NGOs) globally and in five countries: home country, Finland, and in host countries Brazil, China, Poland and Russia. A model of international corporate responsibility is adapted to the NGO context and the concept of civil society distance is introduced. The study argues that the institutional context and especially the local NGO base have important implications on the strategies (sponsorship, dialogue or partnership), and engagement forms (nine different forms are identified) of business–NGO engagement. Propositions are developed on the link between company motives and engagement strategies as well as the effect of civil society distance on engagement strategies.

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1. Introduction

Companies are increasingly interested in how to manage their stakeholder relations, how to define their social and environmental responsibility and how to address sustainability-related issues. One stakeholder group in particular, non-governmental organizations (NGOs), has received rapidly growing attention from academics and practitioners alike. For the purposes of this study, NGOs are defined as “private, not-for-profit organizations that aim to serve particular societal interests by focusing advocacy and/or operational efforts on social, political and economic goals, including equity, education, health, environmental protection and human rights” (Doh & Teegen, 2003). They are commonly seen as one of the three key actors in the global economy in addition to governments and corporations.

In past decades, NGOs have experienced a rapid growth in influence and number (Bendell, 2000; Boli & Thomas, 1997; Doh & Teegen, 2003; Teegen, 2003). NGOs have generally been studied in fields such as economics of development, international relations and international political economy (Millar, Choi, & Chen, 2004). International Business (IB) has been seen as one of the most important areas of research in examining the relationship between business and society (Carroll, 1994; Wokutch, 1998). IB researchers

have only lately started emphasizing the need to study corporate responsibility and business–society management (Kolk & van Tulder, 2004; Maignan & Ralston, 2002; Van Tulder & van der Zwart, 2006; special issue of the *Journal of International Business Studies*, November 2006, vol. 37, iss. 6) and in particular the relationship between business and NGOs (Buckley, 2002; Buckley & Ghauri, 2005; Doh & Teegen, 2002, 2003). Teegen, Doh, and Vachani (2004, p. 473) describe NGOs as a potentially rich area of future research in international business and note that “IB research appears to lag behind other disciplines in considering NGOs and the broader societal interests they represent”. The main contribution of IB to the study of business–NGO relations is the importance of context (Teegen et al., 2004, p. 474). Context is especially important in the study of NGOs since there are significant differences in the NGO base in different countries (Salamon & Anheier, 1998). There can even be large differences between national chapters of an international NGO in various countries. Additionally, corporate responsibility and stakeholder management issues in big emerging markets (e.g., India, China and Eastern Europe) are a significant avenue for future research. Finally, although IB models on the business–NGO relationship exist (Doh & Teegen, 2002), few empirical studies have been conducted on this relationship (Doh & Guay, 2006).

To tackle these research gaps, this study utilizes an embedded single case study approach and focuses on one industry (forest products), one company within this industry (Stora Enso) and five countries in which the company operates (Finland as a home or parent company country, and Brazil, China, Poland and Russia as

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host countries). This paper poses the following research questions: 1. Why and how do companies engage with NGOs? 2. What is the role of NGOs in different institutional contexts? 3. How does the role of NGOs in different institutional contexts affect company NGO engagement?

To answer these questions, this paper is grounded in stakeholder theory, corporate responsibility and business and society literatures, international business research on different types of distances, and institutional theory. Relevant studies from these fields are described and a theoretical framework is developed.

2. NGO engagement from an institutional-stakeholder perspective

The focus of this paper is on NGOs working in the fields of development cooperation, welfare, the environment, human rights and community development. Political parties, trade unions, religious organizations (churches), professional or business associations and educational or student organizations are not included. This study also examines key international governmental organizations (IGOs), especially agencies of the United Nations (UN), since there is significant cooperation between them and the case company.

In this paper, business–NGO engagement is seen as an activity falling in the sphere of corporate responsibility (CR). Corporate responsibility is a contested concept and an “umbrella term overlapping with some, and being synonymous with other, conceptions of business society relations” (Matten & Moon, 2008). NGOs are one stakeholder group among many for companies. A stakeholder can be defined broadly as “any group or individual who can affect or is affected by the achievement of an organization’s objectives” (Freeman, 1984). Around this concept of the stakeholder, a wide literature that can be labelled stakeholder theory has formed. This theory is a managerial concept of organizational strategy and its principal idea is that an organization’s success is dependent on how well it manages the relationships with stakeholders such as employees, customers, suppliers and communities (Freeman, 1984; Phillips, Freeman, & Wicks, 2003).

Important stakeholder management issues in this study include “why” and “how” questions. In terms of answering why companies engage with NGOs, it is necessary to determine what are the benefits and disadvantages of engaging with NGOs. In examining how engagement takes place, key issues are stakeholder pressure (what kind of demands NGOs place on companies and how they voice these demands), stakeholder identification (how to identify which stakeholders should be engaged), stakeholder salience (how can the general and relative importance of an NGO relationship be determined or the “principle of who or what really counts”; Mitchell, Agle, & Wood, 1997), and stakeholder engagement (what types of forms of engagement are used). This study addresses all of the above issues related to NGOs as corporate stakeholders.

Furthermore, it should be noted that while in business literature, the relationship between NGOs and companies has traditionally been seen as adversarial (Argenti, 2004; Spar & La Mure, 2003), this study focuses both on the cooperative as well as the adversarial nature of the business–NGO relationship. In the analysis of the business–NGO relationship, stakeholder theory is commonly used and research themes include the different forms of collaboration between NGOs and businesses, such as dialogue and partnerships (Argenti, 2004; Hartman, Hofman, & Stafford, 1999; MacDonald & Chrisp, 2005; Millar et al., 2004; Rondinelli & London, 2003), NGOs from the global governance or voluntary regulatory aspects (Christmann & Taylor, 2002; Teegen et al., 2004), and the different roles and strategies adopted by NGOs and their impact on companies (Åhlström & Sjöström, 2005; Hendry, 2005; Humphreys, 2004; Kong, Salzmann, Steger, & Ionescu-Somers, 2002; Spar & La Mure, 2003). Thus, most studies on the business–NGO relationship focus

on a specific form of collaboration—a notable exception being the “collaboration portfolio” described by Austin (2000, pp. 140–144). Unlike Austin, this study looks at the entire NGO engagement portfolio—both cooperative and adversarial. Austin (2000, pp. 20–29) also sees that collaboration goes through three phases—philanthropic, transactional and integrative stages. Although acknowledging that business–NGO relations can develop over time, this paper looks at relationships of a single company with different NGOs and analyses these relationships comparatively.

In terms of the institutional context, on the one hand, companies experience global standardization pressures in terms of corporate responsibility and stakeholder management. On the other hand, they face pressures to adapt their corporate responsibility activities and stakeholder management practices on a local level. Global standardization pressures can be analyzed through “new institutional” theory. Institutional theory has become a foundation for much of the research conducted in organizational theory (Scott, 1995), as well as an increasing number of studies in international business. DiMaggio and Powell (1983) argue that institutional environments are becoming more homogenous across national boundaries and that organizational practices are become institutionalized and legitimate. Legitimacy is achieved through coercive isomorphisms, mimetic processes and normative pressures. In the case of corporate responsibility and NGO engagement, coercive isomorphisms comprise of increasing global and governmental regulatory frameworks and voluntary environmental and social initiatives. These include such as codes of conduct, guidelines and management systems developed by the Organization for Economic Cooperation and Development (OECD), United Nations (UN), International Labour Organization (ILO), Global Reporting Initiative (GRI), the International Organization for Standardization (ISO) and various NGOs. Mimetic processes include business coalitions formed around sustainability issues, corporate responsibility training programs and sustainability reporting. In terms of NGO engagement, the formation of partnerships with NGOs, especially promoted by the World Summit for Sustainable Development in 2002 (Eweje, 2007), is a significant mimetic process. Normative pressures come for instance from the inclusion of corporate responsibility and stakeholder management into business school curriculums (Matten & Moon, 2008).

In terms of the local adaptation of corporate responsibility and stakeholder management, Doh and Teegen (2002, p. 669) discuss the link between institutions and NGOs using the institutional theory of economics as seen by North (1991, 1994). North describes two types of institutions: formal institutions (such as laws, policies and formal agreements) and informal institutions (such behavioral norms and mental models of individuals). Doh and Teegen (2002) argue that NGOs affect both types of institutions. They perceive that institutions are dynamic and constantly evolving and that NGOs are becoming increasingly integrated into their institutional environment and taking a more and more active role in influencing formal institutions.

In addition to global standardization pressure, this study is interested in the national institutional context in which companies operate and the role of NGOs within this context. In international business, a key area of research has been the development of various interrelated distance measures: psychic, cultural, geographic, development and institutional distance (e.g., Van Tulder & van der Zwart, 2006, pp. 253–263). Psychic distance is seen as the “sum of factors preventing the flow of information from and to the market” (Johanson & Vahlne, 1977), including language, education, culture and business practices. Cultural distance incorporates the possible differences existing in relation to the way individuals in different countries observe behavior, which affects the transfer of work practices (Brouthers & Brouthers, 2001; Kogut & Singh, 1988; Quer, Claver, & Rienda, 2007; Shenkar, 2001; Wang & Schaan,

2008). Cultural distance concept is almost always measured in terms of Hofstede (1980) individual work-related values or dimensions of culture. Geographic distance is self-explanatory and development distance relates to the level of development of the host country compared to the home country. Finally, institutional distance is the extent of similarity between the regulatory, cognitive and normative institutions of two nations (Kostova, 1999; Xu & Shenkar, 2002). Institutional distance can exist between two countries or between the headquarters and subsidiary of a company (Kostova & Roth, 2002).

This study proposes a new concept of civil society distance. This metric measures the difference between the NGO bases in different countries. Why is there a need for yet another distance concept and how is the new concept different from previous ones? Firstly, civil society distance is not focused on the level of the individual like cultural distance. Secondly, the focus of civil society distance is not on foreign direct investment (FDI) and entry modes (like geographic, development, psychic, cultural and to some extent institutional distance). It focuses on the management of existing stakeholder relations. The new concept can also be utilized to assess one factor under what is commonly referred to as country risk in FDI. Thirdly, civil society distance is not as comprehensive as psychic or institutional distance, since the focus is on a relationship with a specific type of actor. Hence, civil society distance can be considered as a part of institutional distance—the latter being too wide to properly observe business–NGO relations. Civil society distance is described further in the next section.

3. Theoretical framework

Fig. 1 presents the theoretical framework of the study, which is modified from a model by van Tulder and van der Zwart (2006, p. 253). In the original framework, the authors discuss the existence

of corporate social responsibility (CSR) regimes (internal, home country and host country regimes) and various types of distances (cultural/geographic, development/normative and institutional distances). In the framework, home and host country CSR regimes are replaced by NGO bases and the company's international corporate responsibility by the management of NGO relations, since the focus is on business–NGO relations. Additionally the concept of civil society distance is introduced in the framework.

The multinational enterprise (MNE) and its NGO engagement strategies and practices are at the center of the framework. These strategies and practices are affected by the global isomorphic pressures related to CR and NGOs (pressures for global standardization in the upper inverted triangle) as well as the home and host country NGO bases (pressures for local adaptation in the left and right triangles). Corporate action can also be seen to influence the NGOs in host and home countries to some extent. At the bottom, the different types of distances are presented and a new type of distance measurement, civil society distance, is proposed. Civil society distance can encompass the size, diversity, societal legitimacy, power, activity (active/passive), nature (adversarial/cooperative), interrelatedness (local and international networks), international orientation, history and geographical dispersion of national organized civil society (NGOs) and social movements. In the empirical section, this concept is clarified in terms of which aspects the data on the case company lifted as key measures, and propositions are developed on the link between company motives and engagement strategies as well as the effect of civil society distance on engagement strategies.

4. Methodology

The qualitative research methodology is proven to be very important in the analysis of the relationship between business and

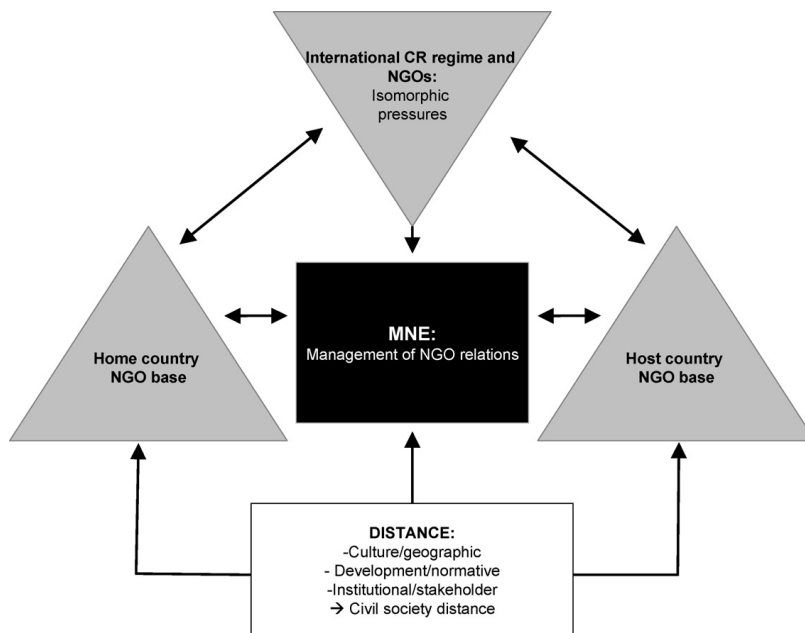


Fig. 1. Theoretical framework (modified from Van Tulder & van der Zwart, 2006, p. 253).

society (Harrison & Freeman, 1999). This study utilizes an embedded case study approach (Eisenhardt, 1989; Yin, 2003). This approach is appropriate, because two research questions are “how” or “why” type questions. The researcher has little control over events because the topic is a contemporary real-life problem and a complex phenomenon involving various variables (Yin, 2003).

Three key choices were made: the choice of industry, company and countries of analysis. NGO engagement can vary drastically depending on the industry of the company. The forest products industry is as a high impact industry in terms of the environment and it has traditionally had a dialogue with NGOs for decades. Within this industry, Stora Enso, a Finnish paper and packaging company, was chosen as the case company. Stora Enso emphasizes sustainability in its operations and engages with NGOs in various ways. The company is one of the largest global forests products companies and it has extensive international operations. Indeed, multinational corporations provide a very interesting research context (Roth & Kostova, 2003). Furthermore, Stora Enso's operations and related NGO protests have been actively discussed in the media in recent years. In terms of the countries included, the aim was to select countries, firstly in which the company had relatively extensive presence and, secondly which represented highly different institutional context. Finland was chosen, because of the location of the corporation's global headquarters and because of NGO criticism related to the company's operations in this country. Russia, China and Brazil were chosen as important future markets for the company and the latter also because of significant criticism from NGOs in this country. Poland was chosen as a country where Stora Enso had operations, but has not been the target of significant stakeholder pressure.

Data gathering was completed between December 2006 and July 2007. Primary data was gathered through 14 semi-structured interviews with case company representatives lasting each approximately one hour. Interviews were taped and transcribed. Employees dealing with NGO relations at headquarters level and at country level for Finland, Russia, Poland, China and Brazil were included. Interviewees included representatives of different functions (sustainability, communications and wood supply) to get a comprehensive view of NGO relations. Interviews were conducted in Finnish, Polish and English in different locations in Finland and Poland as face-to-face (11 out of 14) and telephone (3 out of 14) interviews. Representatives in charge of NGO relations in Russia are based in Finland, representatives from Brazilian operations were interviewed during their travels to Finland and representatives from Chinese operations via telephone. In terms of the selection of interviewees, key representatives in charge of NGO relations for different countries were identified in preliminary discussions with the company. In addition, a snowball technique was used by asking each interviewee about other potentially relevant interviewees dealing with NGO relations and all mentioned persons were interviewed (the interview guide can be found as Appendix A). All in all, the total number of interviewees is relatively small, which can be seen as a limitation of the study. However, the company does not have many employees working on NGO relations (all interviewees deal with a number of tasks in addition to NGO relations) and, in accordance with the snowball technique, relevant staff was interviewed.

The interview data was supplemented by secondary data consisting of the company website's (www.storaenso.com) section on sustainability issues, company sustainability reports for 2003, 2004, 2005 and 2006, existing issues of company newsletter entitled *Sustainability News*, company press releases since 1999, the corporate magazine *Tempus* (issues from 1999 to present), as well as company fact sheets, position papers and presentations. It should be noted, that data gathering on NGO engagement was limited to company sources, which can give a one-sided and

potentially overly positive view of NGO engagement. Nonetheless, since the focus is on engagement from the company side including company motives, the organization of responsibility for NGO relations, and various stakeholder management strategies, practices and tools, data on NGO perceptions and tactics falls outside the scope of the research. The description of the NGO base of each country was obtained from previous academic and practitioner reports incorporating company representatives' views.

In terms of the research process, the first phase took place before the case study. A preliminary content analysis of 37 sustainability reports of forest products and energy companies was conducted to determine the range of possible engagement forms with NGOs. This pre-study categorized 10 different engagement forms into five categories—in this case analysis nine engagement forms are identified and categorized into three categories. The case study thus goes deeper into the evaluation of the categorization and examined how different types of engagement forms took place in practice.

In a second phase, secondary data analysis of sources aforementioned took place prior to the interviews. In this analysis, a division into strategic, organizational and practical issues was first utilized. Primary company motives for engagement and engagement forms were present in secondary data. The theme of global standardization and local adaptation became evident in this analysis and the focus of the case shifted more towards national differences in NGO engagement. Other themes which arose were the proactive development of stakeholder practices and the importance of stakeholder dialogue.

In the third phase, company representatives were interviewed. In a preliminary meeting with a company representative, the number of countries analyzed was increased (Brazil and China were included because they were seen as interesting and vastly different cases). The interviews were designed to provide a comparative setting between the countries chosen. In the interview data, themes that arose included: the multitude of inter-related motives for engagement, a portfolio thinking of using engagement strategies, the link between motives and engagement strategies, the inclusiveness of dialogue with NGOs, competing forest certification schemes, stakeholder identification tools, the importance of international governmental organizations, different aspects of national civil societies (measures of civil society distance), and discrepancies in global integration and local adaptation of engagement.

In terms of evaluation of quality of the analysis, data triangulation – using different types of data sources as described – played an important role in achieving a thick and complete description of NGO engagement (Marschan-Piekkari & Welch, 2004). After the combined primary and secondary data analysis was completed, interviewees were sent a wider report for commenting and fact checking. The description of the research process and design is also an important part of the quality of research.

5. NGO engagement on a global level

In this paper, the case company is introduced, the benefits and disadvantages of NGO engagement are presented and global NGO engagement is examined on a strategic, organizational structure and engagement form levels. Stora Enso is a paper, packaging and forest products company with its headquarters located in Finland. In the beginning of 2007, the company had four main divisions based on its key products: publication paper, fine paper, packaging boards and wood products. In January 2007, the company was the world's largest producer of paper and board and the fourth largest producer of sawn timber. Stora Enso was created in 1998, when the Swedish company Stora Kopparbergs Bergslags Aktiebolag (or STORA) and the Finnish company Enso Gützeit (Enso Oyj) merged,

but the company's roots reach back more than 700 years in Sweden (Hoover's company records). The group has about 44,000 employees and its sales for 2006 were approximately 14.6 billion euros. The company mainly serves its business-to-business customers, which are usually publishers and printing houses as well as the packaging, construction and joinery industries. Stora Enso has subsidiaries in over 40 countries and its main markets are Europe, North America and Asia. In the past few years, the company has increasingly entered emerging markets, such as South America, China and Russia. In this sense, Stora Enso is an interesting case company, since it has relatively recently had to learn how to manage stakeholders in new societal contexts.

The forest products industry can be seen as an area where stakeholder engagement is highly important, since it deals with the utilization of natural resources. As a company representative described the forests products sector, "this is the most stakeholder sensitive industry that I know", especially due to the utilization of natural resources. Most interviewees also saw that NGO engagement has become a compulsory part of everyday business operations and Stora Enso defines NGOs as a key stakeholder group in its principles for corporate social responsibility.

The main motives for NGO engagement that arose from the data are (1) risk management (including identifying weak signals and avoiding damaging campaigns—as an interviewee mentioned: "There are no local issues. Things have to be done as transparently as possible"), (2) societal legitimacy (including building better stakeholder relations in general and using independent actors as mediators and consultants—as an interviewee mentioned: NGOs see that "credibility is zero for companies and this is self evident"), (3) reputation (including brand building through sponsorship and alliances with reputable NGOs and IGOs) and (4) value creation through expertise (including learning about the local business environment and environmental practices and potentially creating new innovations—NGO engagement was seen to be a potential competitive advantage when done better than competitors). In terms of disadvantages related to NGO engagement, company representatives mentioned that it can take significant amounts of time and resources. Furthermore, one interviewee saw stakeholder engagement as trendy and thus making it potentially difficult to identify appropriate NGOs. Finally, it was also noted that being seen as one of the leaders in sustainability can potentially attract more pressure, because NGOs identify the company as more responsive than others.

On a strategic level, in the past few years, Stora Enso has aimed to make stakeholder engagement more proactive and systematic in

terms of governance, knowledge management, engagement tools and reporting. NGO engagement strategies can be categorized into three main types: (1) Sponsorship strategy: focusing on "externalizing" social responsibility by emphasizing charitable donations to NGOs. (2) Dialogue strategy: relying mostly on creating or being part of forums for discussion such as roundtables. The emphasis is on two-way communication and learning and the approach is inclusive. (3) Partnership strategy: emphasizing the creation of successful long-term and contract-based partnerships with a limited number of NGOs.

The NGO engagement focus of Stora Enso is currently on actively searching for partnerships and signing cooperation agreements with NGOs and UN agencies. Stora Enso has signed a cooperation agreement with United Nations Children's Fund (UNICEF), United Nations Development Programme (UNDP) and WWF, a global environmental NGO. This partnership strategy can be seen as beneficial, since it provides cooperation benefits and the development of a long-term relationship through a number of common projects. Nevertheless, a potential threat is that stakeholder dialogue is conducted in the future in a more closed circle, alienating more critical NGOs. A partnership strategy can thus be seen as to take away resources from a more general stakeholder dialogue. Dialogue is also an important strategy for Stora Enso, especially in terms of forest certification, which is described further on in this chapter as one engagement form. Other dialogue engagement forms include roundtables, research cooperation, consultation and surveys. The company has a relatively small sponsorship program (including employee volunteerism), since some interviewees saw it as a form more appropriate for a U.S. company rather than a Finnish company. Table 1 examines the key opportunities and threats of different types of engagement strategies.

Based on the data and the results depicted in Table 1, four general propositions on the link between the above-described company motives and engagement strategies can be derived:

- P1.** *Through dialogue with NGOs, a company gains more societal legitimacy than sponsorship or partnership programs.*
- P2.** *Dialogue with NGOs is a more effective form of risk management than sponsorship or partnership programs.*
- P3.** *Partnerships with NGOs and sponsorship yield higher reputational benefits than dialogue with NGOs.*
- P4.** *Dialogue and partnership programs with NGOs create more learning for a company than sponsorship.*

Table 1
Opportunities and threats of NGO engagement strategies.

	Sponsorship	Dialogue	Partnership
Opportunities	Potential brand and reputational value Commonly a requirement is socially responsible investment (SRI) indices Potential increased employee satisfaction	Highest legitimacy out of these strategies through inclusive stakeholder engagement process Risk management through avoiding future campaigns Local market knowledge gained Possible operational efficiency gained through engagement Possible route to avoiding regulation or affecting upcoming legislation Possible increased collaboration in supply chain Potential increased employee satisfaction	Opportunities for innovation, learning and operational efficiency through deeper cooperation Reputation and legitimacy increased through cooperation with reputable partners Local market knowledge gained Employee satisfaction through engagement of employees at different levels—easier to communicate than dialogue Risk management by avoiding future campaigns Possible increased collaboration in supply chain
Threats	Potentially less legitimacy than with other strategies Can be seen as "green washing" Reputational benefits difficult to measure Philanthropy orientation varies in different countries	Very resource intensive process An inclusive dialogue is very difficult to implement in practice Dialogue needs to be global as well as local, which takes a long time to develop Dialogue is highly political in nature Possible increased attention to company operations from critical stakeholders	Focus on partners can alienate certain actors Loss of legitimacy through less inclusive engagement process Win-win partnerships can take a long time to build Loss of reputation if NGO partner experiences a scandal

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On an organizational level, the company has a global sustainability committee, which is in charge of formulating corporate policy and strategy on corporate social responsibility issues and NGO engagement and ensuring that these policies are established and respected. This committee has four support teams: environmental coordination team, customer support team, corporate social responsibility team and the forest environmental team. NGO engagement takes place on three levels: headquarters, country and factory level. Stora Enso has adopted a strategy where decision-making is centralized to the headquarters level in terms of the development of engagement principles and descriptions of stakeholder processes through the sustainability committee. Responsibility for partnerships and cooperation is decentralized by function—the wood supply function is in charge of WWF cooperation, the communications function is in charge of the UNICEF collaboration and the corporate social responsibility function is in charge of the UNDP cooperation.

On the country level, the focus is often on communication with critical stakeholders and as a company representative stated: “unfortunately at the country level we are putting out fires”. The country offices also engage with NGOs and implement global cooperation agreements. Factory level cooperation is typically with local communities and community based NGOs (commonly related to sports or arts). Although NGO engagement is relatively decentralized, it should be noted that for instance local criticism from Greenpeace Finland related to Finnish Lapland, becomes a global issue when the company’s global clients take up these issues in negotiations with the company.

On a practical level, Stora Enso utilizes various tools and engagement forms with NGOs. Important tools for NGO engagement are related to stakeholder identification. As one company representative stated, “stakeholder engagement doesn’t mean you have to forcefully love the whole world”. Thus some NGOs are not willing to enter into dialogue and the company is not always willing or does not always see the need to enter into dialogue with some NGOs. In the past few years, Stora Enso has taken a more proactive stance in terms of NGO engagement. The company compiles country-level NGO analyses and follows actively 65 different NGOs working in the fields of forestry and biodiversity. Furthermore, one of the key tools related to identifying important themes is a systematic annual dialogue with key customers, investors, lenders, NGOs and other stakeholders. Key engagement forms between Stora Enso and NGOs include the following: (1) strategic partnership/cooperation agreement, (2) common project, (3) research cooperation or contracting, (4) forest certification, (5) roundtable dialogue, (6) consultation (and training), (7) employee volunteerism, (8) sponsorship, and (9) survey. As stated previously, the most important form of cooperation is the “win–win” strategic partnership. Cooperation agreements have been signed with WWF, UNICEF and UNDP. WWF cooperation consists of various conservation projects, UNICEF collaboration emphasizes a sponsorship orientation (financial support and marketing cooperation) and UNDP cooperation has taken the form of commissioning of independent environmental and social impact analyses (ESIAs) of company operations.

Forest certification is another important engagement form. It can be defined as “a procedure whereby an independent third party inspects forest management and utilisation practices to assess compliance with a set of ecological, economic and social standards for sustainable forestry” (www.storaenso.com). The company is involved with various certification schemes: Programme for the Endorsement of Forest Certification (PEFC), Forest Stewardship Council (FSC), Sustainable Forestry Initiative (SFI), Canadian Standard Association (CSA) certification, American Tree Farm System (ATFS) and the Brazilian CERFLOR. Most of these schemes involve NGO consultation or membership. Furthermore,

systematic dialogue is an important form of engagement and it commonly occurs as roundtable discussions with NGOs. Stora Enso also engages with NGOs through membership NGOs or forums such as the United Nations Global Compact (UNGC), World Business Council for Sustainable Development (WBCSD) and The Forests Dialogue (TFD). Other forms of engagement such as sponsorship, research cooperation, employee volunteerism and NGO surveys are all conducted to a lesser extent than the above-mentioned forms.

All in all, Stora Enso’s NGO engagement principles and procedures are globally similar. Important stakeholders and the use of different engagement forms vary from one institutional context to another.

6. NGO engagement in home and host countries

Table 2 summarizes Stora Enso’s NGO engagement in the home country, Finland, and in four host countries: Brazil, China, Poland and Russia.

Stora Enso has a very strong presence in Finland, where the company headquarters is located. In terms of the NGO base, Finland has an active NGO base for social and environmental issues with both cooperative and adversarial actors (Ilmonen, 2006). Environmental NGOs have been targeting the forestry sector since the 1970s leading to the rapid development of forest legislation, which is rather strict. The key issue in NGO dialogue is forest certification and use. The most important company motives for NGO engagement include legitimacy, risk management and seeking expertise. In Finland identification is not difficult, since all of the relatively few actors are well known and commonly are part of a Finnish dialogue, except for some critical actors. Engagement forms include roundtable discussions and common programs.

In Brazil, Stora Enso’s presence and land ownership is on the rise. The Brazilian NGO base is very active and polarized including a wide variety of NGOs with different tactics to influence corporate decision-making. In some cases, Brazilian NGOs can be seen to take over areas where the government is not able to perform. A number of issues focused on including plantations and related biodiversity, forest certification, land ownership and community development. Company motives are related to risk management and gaining local expertise. In Brazil, NGO identification is relatively systematic, but rather difficult due to the large number of NGOs of different sizes. According to company representatives, Stora Enso has developed a systematic and relatively inclusive dialogue along with the development of various projects.

China is a strategically important market for the company and it has increased its presence there in the past years. In China, the NGO base is rather limited and the state has extensive formal control (cf. Ma, 2002 for a review of NGOs in China). Thus, there is limited dialogue and pressure comes mostly from local communities. The focus is on community development as well as to a lesser extent, forest certification and plantation issues. Company motives are gaining local expertise and credibility. In China, the company is developing its NGO identification and the engagement forms vary from Environmental and Social Impact Analyses to training and dialogue.

In Poland, the NGO field is not very active and there is very limited pressure from environmental NGOs. NGO identification is not really conducted, since there are old historical ties to specific charities. Thus, NGO engagement from the company side has been limited to mostly sponsorship to improve relations with local communities, and business–NGO dialogue is limited. A key motive for sponsorship is gaining reputation.

Stora Enso sees Russia as a growing market and has steadily increased its presence in the country. Russian NGOs are active, but

Table 2
Summary of key findings on a country level.

	Finland (home)	Brazil	China	Poland	Russia
Company presence (situation in early 2007)	26 mills, 12 forest offices, 3 logistics offices, 3 divisional offices, 2 sales offices, 1 research center, 1 wood supply office, 2 companies owned 100%, 1 company 50%	1 mill, 50% joint venture in other mill, 1 divisional office, 1 sales office, plantations	2 mills, 5 sales offices, plantations	4 mills, 4 sales offices	4 mills, 10 forest offices, 2 sales offices, 1 divisional office, 7 harvesting companies
NGO base and stakeholder pressure	Active NGO base: both cooperative and aggressive	Very active NGO base: polarized with strong pressure, aggressive	Very limited NGO base: mostly from local communities	Not active, very limited pressure in environmental NGOs, mostly cooperative	Active NGO base in terms of forest certification: mostly cooperative
Key focus of NGO engagement	Forest certification (old-growth forests)	Plantations and biodiversity, forest certification and ownership, local community	Local community, lesser extent forest certification, plantations and biodiversity	Local community	Forest certification (traceability/ old-growth forests and legality)
Company motives for engagement	Legitimacy, risk management and expertise	Expertise and risk management	Local expertise and credibility	Reputation and goodwill	Risk management and expertise
IGO/NGOs engaged	WWF and Finnish Association for Nature Conservation, Greenpeace	Conservation International, The Nature Conservancy, numerous local NGOs	UNDP, WWF, International Finance Corporation, Red Cross, UNICEF, Oxfam	Great Orchestra of Christmas Charity Foundation and few local NGOs	Greenpeace, WWF, Biodiversity Conservation Center, Socio-Ecological Union, Transparency International, SPOK
Identification process	Based on key actors in the country and old-growth forest discussion	Relatively systematic	Not very systematic and based on company needs	Based on local community and company history	Based on NGOs' appropriation of zones and customer pressure
Engagement forms	Dialogue in the form of roundtables, sponsorship, common programs	Commonly project based activity and dialogue, beginning of employee volunteerism	Environmental analysis, local supply chain partner development, dialogue on environmental and social issues, training	Sponsorship and limited employee volunteerism	Roundtable discussions and projects
Level of dialogue and inclusiveness	Dialogue is relatively systematic and inclusive	Dialogue is systematic and inclusive	Little dialogue; initiatives commonly government-lead	Very limited dialogue	Dialogue is systematic and inclusive

only in the area of forest certification. Unlike in Brazil and to some extent Finland, the Russian environmental NGOs are more cooperatively oriented and roles in different locations are divided rather clearly between NGO actors (cf. Crotty, 2006 for a review of Russian civil society). New legislation put pressure on NGOs by forcing them to reregister and rules on foreign sponsorship have recently become much stricter. The focus in Russia is also on forest certification, but issues on the legality of wood are more prevalent. Key motives for Stora Enso in terms of cooperation are risk management and gaining expertise from local NGOs. Engagement forms are similar to Finland—roundtable discussions and common projects.

There are important differences in the use of the strategies by Stora Enso in the various institutional contexts. In terms of sponsorship, donations to NGOs take place to some extent in all analyzed countries except China, but this approach is focused on only in Poland. Globally, the company's cooperation with UNICEF at this stage can be seen as sponsorship-oriented. This strategy includes possible issues to be resolved between global strategy and local implementation as was the case in Poland—the headquarters promotes the global cooperating NGO, while there are long traditions locally with a national NGO. A dialogue strategy is used in Finland, Russia and Brazil, because of either earlier or current criticism from NGOs. The difference between these countries is that the key NGOs are clear in Finland and Russia, but the Brazilian NGO base is more diverse and complex to engage. Dialogue is limited in China and Poland due to the lack of an environmental NGO base and discussion on these issues. In terms of partnership-orientation, Stora Enso signed cooperation agreements with different NGOs and IGOs in Brazil, China, Finland and Russia, but the reasons behind these agreements differ. In Brazil, UNDP is used to gain legitimacy in the eyes of the diverse NGO field. In China, UNDP is used partly, because there are no credible NGO partners. In Finland and Russia, cooperation agreements are signed with WWF to develop new forestry practices.

The discussion indicates that key civil society distance measures affecting NGO engagement are: (1) existence and diversity of the NGO base (non-existent, non-diverse or diverse), (2) activity towards companies (active vs. passive), and (3) and nature of the business–NGO relationships (adversarial vs. cooperative). Based on the above findings, five propositions on the effect of these civil society distance measures on NGO engagement can be derived:

P5. A “non-existent” NGO base leads a company to engage with governmental and intergovernmental organizations (Chinese case).

P6. A relatively non-diverse, active, and adversarial and/or cooperative NGO base leads a company to adopt a dialogue focus (Finnish and Russian case).

P7. A relatively non-diverse and passive NGO base leads a company to disregard NGOs or adopt a sponsorship orientation (Polish case).

P8. A relatively diverse, active, both adversarial and cooperative NGO base leads a company to adopt a dialogue and/or partnership focus (Brazilian case).

Finally, it should be noted that a company's experience in a foreign market seems to have an effect on engagement as stated in the following proposition:

P9. A company's inexperience in a host country leads to company engagement with international NGOs or international governmental or intergovernmental organizations.

The role of NGOs in different institutional contexts has a strong effect on the business–NGO engagement. The key findings are summarized in the modified theoretical framework in Fig. 2.

The following chapter discusses the theoretical and practical contribution of the paper and suggests avenues for further research.

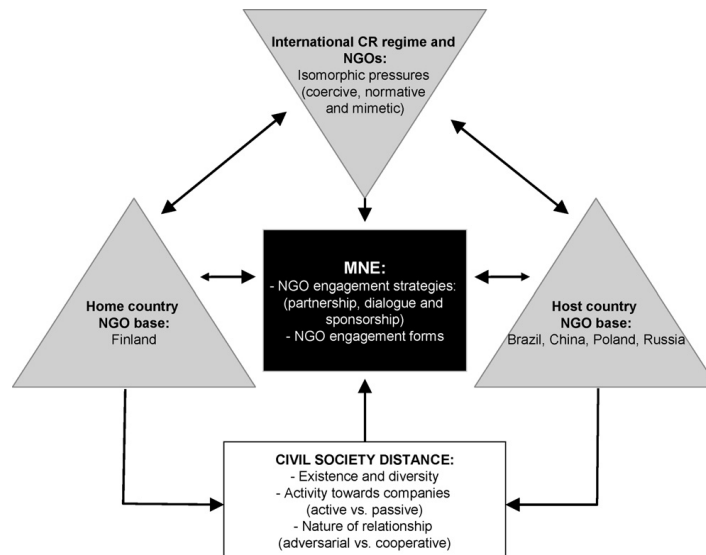


Fig. 2. Modified theoretical framework.

7. Research and managerial relevance

This paper analyses a global forest products company's, Stora Enso's, engagement with non-governmental organizations globally and in five countries. The study argues that the institutional context and especially the national NGO base have important implications on how business–NGO engagement takes place in practice. The paper has three key theoretical contributions. Firstly, NGO engagement forms are categorized into three general engagement strategies (sponsorship, dialogue and partnership). Thus, different forms and strategies of engagement between businesses and NGOs are analyzed simultaneously as well as comparatively, instead of the common focus in existing studies on a single form at a time. In this way, the collaboration portfolio first discussed by Austin (2000), is elaborated and widened to include adversarial relations. Second, a general model of international corporate responsibility is adapted to the NGO context (Fig. 2) and studied empirically. This modified model introduces the new concept of civil society distance into international business literature and analyses it empirically. Thirdly, the paper develops nine propositions based on the case study—four on the link between company engagement motives and engagement strategies, four on the effect of civil society distance measures on engagement strategies, and one on the effect of inexperience on engagement. Thus, this single case study is able to develop theory on an important and timely research topic.

Based on the study, suggestions for further research can be provided. Firstly, further empirical studies on civil society distance can help refine the concept and its measurement. Quantitative analyses across countries and industries can test the propositions developed in this paper. Secondly, longitudinal analyses of the development over time of a single business–NGO relationship from both perspectives should be conducted to better understand the dynamics of engagement. Matching objectives and expectations of both actors is an important part of business–NGO cooperation. Thirdly, qualitative research can also shed more light on the measurement of business or financial and societal outcomes of different forms of engagement. Finally, the implementation of specific tools and knowledge management in NGO engagement should be conducted. All in all, these types of studies can lead to a better understanding of a rising topic in the field of international business—the relationship between companies and NGOs.

This study has the several managerial implications. First of all, NGO engagement can be seen as a strategic issue linked to business performance in addition to corporate responsibility and sustainability and a proactive stance can provide a company with various benefits. Companies need to understand the global pressures and opportunities related to the creation of partnerships, forms of voluntary governance (such as forest certification), stakeholder dialogue and philanthropy. In the engagement with NGOs, corporations can adopt a portfolio approach to evaluating strategic choices (sponsoring, entering into dialogue and partnering) that can be used simultaneously with different emphases. Each includes specific opportunities and threats, which are presented in Table 1. Portfolio thinking can help develop NGO relationships and allocate corporate resources efficiently and effectively. Companies should also match their engagement motives and objectives with cooperation strategies and forms. It is important to note, that engagement does not mean that the company needs to enter into a dialogue with all NGOs. Leaders have the decision to pick and choose to some extent. Furthermore, in terms of organizing for NGO engagement, the case offers one potential model—that of decentralized responsibility within functions, but coordinated through a committee at headquarters level. Other forms can be either decentralized and uncoordinated (with loss of control and difficulties of knowledge management, but potential

for innovative approaches) or centralized and coordinated (with strong control and knowledge management, but with potential ceremonial implementation and lack of innovation). Thus, in terms of relatively high control, opportunity for innovation, and relatively easy knowledge management with a committee and support team structure, the model adopted by the case company would seem to be efficient. In any case, the company needs to implement a job rotation so that learning and knowledge diffusion take place. This case study also introduces tools for issue and NGO identification including country-level analyses, systematic dialogues with various stakeholders, surveys, and lists of actively followed NGOs. The study also offers ideas on how national NGO bases can affect engagement strategies. Differences in the civil society of various countries should be taken into consideration as one factor in multinational management and internationalization decisions. Finally, in new institutional environments, United Nations' agencies can serve for instance as third party evaluators in assessments.

Appendix A. Interview guide

Questions related to interviewee:

- How long have you been employed at Stora Enso and in which positions?
- Are you currently involved with dealing with NGOs at the company? How and since when?

General background questions:

- How would you describe the relationship between Stora Enso and NGOs?
- To your knowledge, how long has the company worked with NGOs and has the relationship with NGOs changed over time? How?

Strategic questions related to NGO cooperation:

- Why does your company cooperate with NGOs?
- What are the benefits of the cooperation for the company?
- What are the disadvantages of the cooperation for the company?
- What external and internal factors affect NGO engagement on the headquarters level?
- To your knowledge, does the company have a strategy, policy or guide for NGO cooperation?

Practical questions related to NGO cooperation:

- Who is responsible for NGO relations at HQ level?
- How many people are involved in NGO relations?
- What takes place at the HQ level, in regional/national offices and at the factory level?
- With which NGOs are you working with globally?
- What kind of NGOs do you engage with? What are the most important attributes of an NGO for your company?
- What types of engagement forms (adversarial and cooperative) do you have?
- How do you identify the "important" NGOs?
- What external and internal factors affect the initiation of NGO engagement?
- In what kind of decisions do you involve NGOs?
- How do you engage or dialogue with NGOs in terms of decision-making?
- How does dialogue take place in practice?
- How do you see your company's NGOs relations will develop in the future?

Cross-national comparison questions:

- Do you think your NGO cooperation is different in Finland, Russia, Poland, China and Brazil? How?
- With which NGOs do you engage with nationally or locally?
- What are the most important strategic, organizational, decision-making, and practical differences related to your stakeholder management between these countries?
- What are the external and internal factors that affect your NGO cooperation in these countries?

Final questions:

- Is there anything that has not been asked, that you would like to add or that you think is relevant about your company's NGO engagement?
- What other Stora Enso employees are involved in NGO relations?

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Types of corporate responsibility and engagement with NGOs: an exploration of business and societal outcomes

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Abstract

Purpose – This paper aims to classify different corporate responsibility (CR) actions into three types – philanthropy, CR integration and CR innovation – and examines different forms of corporate engagement with nongovernmental organizations (NGOs) through this categorization. The focus is on the societal and business outcomes of engagement.

Design/methodology/approach – The study analyzes 20 business-NGO collaborations of three case companies – Hindustan Unilever, Nokia and Stora Enso. Cases are chosen based on revelatory sampling and data are gathered through documentary research of corporate sustainability reports, project reports and websites. Data analysis focuses on engagement forms, business and societal outcomes of engagement and utilizes a categorization of CR.

Findings – Different CR types involve different forms of cooperation ranging from sponsorship to partnership. Furthermore, CR integration and CR innovation seem to have more potential for long-term positive business outcomes than philanthropy. In terms of societal outcomes, CR innovation seems to have the highest potential in creating local income-generating mechanisms and supporting local self-sufficiency. A main suggestion of the study is that more in-depth case studies of CR projects should be conducted to develop and improve indicators for business and societal outcomes.

Originality/value – First, the paper applies a new pragmatic categorization of CR types. Second, it studies empirically a topic that has received relatively little attention – business-NGO collaboration. Third, it analyzes the business and societal outcomes of different types of business-NGO engagement.

Keywords Corporate social responsibility, Non-governmental organizations, Philanthropy, Integration, Innovation

Paper type Research paper

Introduction

Businesses and non-governmental organizations (NGOs) have become key players in global governance alongside governments. This development can be termed as “new governance” (Moon, 2002) or “relational governance” (Midttun, 2005), where the public, private and third sectors come together to discuss and develop private sector regulation. This paper focuses on the interaction of two of the three key actors – business and NGOs.

Businesses are increasingly interested in defining their corporate responsibility (CR). From a governance perspective, this involves taking part in the development of new forms of voluntary self-regulation, participating in multi-stakeholder initiatives, developing successful cross-sector partnerships and learning how to manage relations with stakeholders. One stakeholder group in particular has received growing company interest – NGOs. This interest towards NGOs is due to their rapid growth in number and international influence (Boli and Thomas, 1997; Doh and Teegen, 2003; Powell and Steinberg, 2006). Kaldor (2000) discusses this phenomenon as the rise of a global civil society.

However, there are still relatively few studies on interaction between businesses and NGOs (see Holmes and Moir, 2007), especially on the business and societal outcomes of this

engagement. This paper will take steps in bridging the research gap by grounding itself in corporate responsibility literature and examining this interaction and its outcomes utilizing a new pragmatic categorization of CR. Therefore the focus is not only on governance-related cooperation forms, but on all types of forms, which can be described as corporate responsibility. The main research questions of the study are the following:

- How can companies' engagement with NGOs be examined through the lens of corporate responsibility?
- What are the business and societal outcomes of different types of business-NGO engagement forms?

To answer these questions, three case companies' engagement with NGOs – Hindustan Unilever, Nokia and Stora Enso – is examined. Data are gathered through documentary research of corporate sustainability reports, project reports and websites, and analyzed using a categorization of CR.

In the following sections, we review different approaches to corporate responsibility, suggest an action-oriented categorization of CR, examine the business and societal outcomes of CR, discuss the business-NGO engagement as the empirical context, evaluate the methodological choices made, present the main findings and conclusions as well as suggest avenues for further research.

Suggestion for an action-oriented corporate responsibility typology

Regardless of the specific label, corporate responsibility is a concept that not only defines the duties of business enterprises towards societal stakeholders and natural environment, but also describes how managers should handle these duties (see Windsor, 2006). It assumes that companies have responsibilities that sometimes go beyond legal compliance and that they have responsibility for others with whom they do business with (Blowfield and Frynas, 2005). Beyond this general level, interpretations of CR vastly differ. In this article, CR is treated as policies and activities that go beyond mandatory obligations such as the economic responsibility (being profitable) and legal responsibility (obeying the law and adhering to regulations).

Previous corporate responsibility typologies

In this paper, we examine what are the business and societal outcomes of different types of CR. The data consist of 20 business-NGO collaborations. In order to ground the analysis on existing knowledge of CR, we develop a framework of CR type and outcomes. There are multiple typologies used to describe CR, but most often these typologies seem to serve research purposes and thus do not easily translate to practitioners interested or involved in the CR efforts of companies. Next three main types of CR typologies are briefly reviewed: motivation-based, expected responsibility-based and stage typologies.

First, it is possible to make distinctions between firms or their management based on the motivation to undertake CR efforts, i.e. "the reason why a firm engages in CR". For instance, Husted and Salazar (2006) distinguish three CSR types based on the motivation of the firm. They differentiate between altruism, enforced egoism and strategic intent. Windsor (2006), on the other hand, makes a distinction between economic and ethical CSR, and corporate citizenship conception. Second, the so-called normative responsibility typologies scrutinize responsibilities that a firm is expected to accomplish. Perhaps the most well-known of such typologies is Carroll's (1991, 1996) four-part pyramid classification, which includes economic, legal, ethical and philanthropic responsibilities. Third, the stage typologies are based on the idea that companies can be at different levels or stages of their CR development or awareness of CR. These models tend to begin with a stage labeled as "defensive" or "reactive/compliance" and then move towards the other stages characterized by strategic and transformative orientation to CR (Post and Altman, 1992; Zadek, 2004; Mirvis and Googins, 2006).

For a variety of reasons discussed in Halme and Laurila (2008), these typologies most often encountered in corporate responsibility literature do not easily lend themselves for

empirically observable linkages with business or societal outcomes. Consequently, if we aspire to compare the business and societal outcomes of different types of corporate responsibility we need a CR typology that is developed from a more pragmatic perspective. In order to assess the impact of different corporate responsibility types on the firm's business and societal outcomes, the content of categories should be empirically observable. To that end we suggest an action-oriented CR typology in the following section.

Action-oriented corporate responsibility typology

To sketch a basis against which to assess the business and societal outcomes of CR, this article extends the existing CR typologies by suggesting a typology that is based on the dominant mode of CR activities practiced by the firm (Halme and Laurila, 2008). This is done by combining three dimensions on which CR activities practiced by the firm may differ: relationship of CR to core business (Porter and Kramer, 2006); target of responsibility actions, and benefits expected from CR activities (Zadek, 2004). It is possible to distinguish at least the following three CR types that differ from each other with regard to the above listed dimensions:

1. Philanthropy (emphasis on charity, sponsorships and employee voluntarism).
2. CR Integration (emphasis on conducting existing business operations more responsibly).
3. CR Innovation (emphasis on developing new business models for solving social and environmental problems).

These three types are presented in Table I.

We may present the three CR types in a condensed form as follows. The primary CR orientation of the firms that conform to philanthropy is on charitable actions and using corporate resources for “doing good” (i.e. donations, other charitable activities, or encouraging personnel to engage in voluntary work). In essence, the philanthropic activities take place outside of the firm's immediate own business and no direct business benefits are sought from them. They are extra activities, not a part of the core business. Indirectly, a company can seek to minimize intrusive public policy or improve corporate reputation and market opportunities (Godfrey, 2005).

On the contrary, firms characterized by CR integration attempt to combine responsibility aspects into their core business operations. This type of responsibility is characterized by actions like ensuring high product quality and investments to R&D (responsibility toward customers), paying just wages and avoiding overcompensation to top managers at the cost of other employees, taking diversity-oriented measures (responsibility toward employees), paying in time to suppliers, supplier training programs, supporting responsibility measures of the supply chain (e.g. no child labor; responsibility toward suppliers) and applying environmentally benign practices and policies (responsibility toward the local community). In other words, in CR Integration the responsibility considerations are integrated into the business operations of the company in question. As to the expected benefits, the company

Table I Comparison of CR types				
		Philanthropy	CR type CR integration	CR innovation
Dimension of action	Relationship to core business	Outside of firm's core business	Close to existing core business	Enlarging core business or developing new business
	Target of responsibility	Extra activities	Environmental and social performance of existing business operations	New product or service development
	Expected benefit	Image improvement and other reputation impacts	Improvements of environmental and social aspects of core business	Alleviation of social or environmental problem

may simultaneously seek benefits related to corporate reputation, cost-savings, risk reduction, or anticipation of legislation.

The third CR type, CR innovation, is different from the two previous ones in several respects. It is based on a recent trend that entails seeing CR as a source of business innovations. The key manifestation of this trend is the base-of-the-pyramid (BOP) approach that especially seeks to solve problems of socially disadvantaged groups within a society while simultaneously creating new businesses or at least a lucrative business opportunities for companies (Prahalad, 2005; Prahalad and Hart, 2002; Prahalad and Hammond, 2002; Fox, 2004; Bendell and Visser, 2005; WBCSD, 2004). Another parallel indication of the same trend are the new service business models based on energy or material efficiency opportunities and sustainable energy technologies (Lovins *et al.*, 1999). In essence, a business enterprise takes an environmental or social problem as a source of business innovation and seeks to develop new products or services, which provide a solution to the problem. Contrary to Philanthropy, however, this kind of CR should fulfill the win-win condition. While the company tries to develop new business that would alleviate an environmental problem or benefit a chosen poor market segment, it aims to simultaneously also create revenue for the enterprise. The underlying idea is to cater an underserved market or to benefit the environment so that it also makes business sense (Halme and Laurila, 2008).

While the aim for the win-win condition distinguishes CR innovation from philanthropy, this difference is no longer as obvious with respect to the CR integration type because the latter can also increase corporate profitability. For instance, eco-efficiency improvements cut costs while simultaneously reducing the environmental burden. Or good working conditions are likely to further employee loyalty and lessen employee turnover. The key difference between CR innovation and integration, however, is that the former is about creating new business aiming at reducing a social or environmental ill, while the CR integration is concerned about conducting existing business responsibly. In this case the added value brought about by the responsibility aim means that the business is conducted with the aim of reducing harm (necessary condition) or doing good to the involved stakeholders, if possible (additional condition). In the CR innovation, solutions to social or environmental problems are a starting point for planning new business, products or services (Halme and Laurila, 2008).

For those for whom corporate responsibility is equal to sacrifices of corporate funds may question whether CR innovation is eventually nothing but good business. For this apparently dominant view in the US, philanthropy would qualify as the truest form of CR (Godfrey, 2005; Carroll, 1996; Mirvis and Googins, 2006; Global Market Insite, 2005). We maintain, however, that if business delivers new solutions to social or environmental ills, it is justified to call it responsible.

Business and societal outcomes of CR types

The question arises: How does the CR type practiced by a company influence the financial performance of the firm and societal outcomes to one or more stakeholder groups? There is plenty of research about the CR-financial performance relationship, but business scholars in particular have dedicated little effort to investigating the value of CR to various societal stakeholders (Margolis and Walsh, 2003; McWilliams *et al.*, 2006). Next we will briefly address both business and societal outcomes of corporate responsibility and in the empirical part we will qualitatively assess both of them with a sample of business-NGO collaboration cases.

The influence of CR type on financial outcomes

After three decades of research, the aggregate results on the financial outcomes of CR remain inconclusive (Margolis and Walsh, 2003; McWilliams and Siegel, 2000; Godfrey, 2005; Aragon-Correa and Sharma, 2003; Schaltegger and Figge, 2000; Barnett and Salomon, 2006). Framing CR as monolith has been recognized as one of the main causes for the contradictory findings (Barnett and Salomon, 2006). The mixed evidence implies that most studies fail to take into account that there are different ways of practicing corporate responsibility, and that these ways may yield different outcomes (Barnett and Salomon,

2006; Hillman and Keim, 2001). Instead of asking “is CR profitable or not” we should inquire “what kind of CR is profitable?”

A rare exception is the analysis of Hillman and Keim (2001) testing the financial performance of over 300 Standard & Poor's 500 companies. It indicates that integrating responsibility in core business means investing in key stakeholder relations and accrues improved shareholder value, whereas charity-type of CR (i.e. philanthropy) is negatively associated with shareholder value. In a similar vein, the microeconomic analysis of Husted and Salazar (2006) indicates that strategic rather than altruistic CR approach is more profitable for the firm. CR can be judged as “strategic” when it supports core business activities and thereby contributes to the firm's effectiveness in accomplishing its mission. Philanthropy can also be strategic, but in practice it seldom is (Porter and Kramer, 2002, 2006; Burke and Logsdon, 1996). In this article we focus on the bulk philanthropy, not the more rare instances of strategic philanthropy. This (inconclusive) evidence suggests that integration and innovation types of CR are economically more beneficial to a company than philanthropy.

The influence of CR type on societal outcomes

Somewhat surprisingly, there is indication that such strategically oriented approaches to CR also yield more substantial societal outcomes charity and philanthropy (Porter and Kramer, 2006; Husted and Salazar, 2006; Burke and Logsdon, 1996). There are multiple reasons to this observation. Philanthropic activities tend to remain disconnected and isolated from the corporate operating units. Blowfield and Frynas (2005) and Frynas (2005) show that when interests of business are not aligned with those who should receive the benefits of corporations' CR efforts, the business case tends to override the responsibility case. This is not to say that philanthropy could not be well-targeted and long-term – it can (Godfrey, 2005). Nevertheless, much of corporate philanthropy consists of incidental initiatives toward generic social issues. The societal impacts of these initiatives are often sporadic (Porter and Kramer, 2002, 2006). On the contrary, when a company addresses its own existing business from the responsibility perspective the efforts tend to be aligned with business operations. Thus, they have also a greater potential to accrue business benefits that are more specific than, for instance, reputation enhancement. Moreover, when the societal benefits and business incentives are aligned, more managers, also the less socially attuned ones, are more likely to engage in responsible activities. It should also be taken into account, that in times of economic hardship, philanthropic activities are at risk.

In the strategic case there is less likelihood that CR activities are abandoned. CR integration would mean high standards in environmental management of production, paying fair compensation to workers in own facilities and applying similar responsibility policies for suppliers' operations. As to CR innovation, its very starting point is a social problem, which the company seeks to solve or alleviate with its own products or services. But unlike the case of philanthropy, the very essence of CR innovation is that the solution should be lucrative for the company, instead of aiding the underserved customers at the cost of the company (see e.g. Prahalad, 2005; Hart, 2005).

Corporations' engagement with NGOs

This paper utilizes the above-described CR categorization to analyze the relationship between business and NGOs. The focus is on NGOs working in the fields of world polity, welfare, the environment and human rights. Although United Nations agencies are not NGOs *per se*, they are also included in this analysis. Political parties, trade unions, professional associations and educational or student organizations are excluded from the analysis.

The relationship between companies and NGOs has traditionally been seen as adversarial. This paper concentrates on different forms of collaboration between these two types of actors and their outcomes. In the analysis of this interaction, key research themes have included various forms of collaboration such as dialogue and partnerships (Rondinelli and London, 2003; Argenti, 2004; Millar *et al.*, 2004; MacDonald and Chrisp, 2005), the different roles and strategies adopted by NGOs and their impact on companies (Kong *et al.*, 2002; Spar and La Mure, 2003; Humphreys, 2004; Hendry, 2005; Åhlström and Sjöström, 2005),

NGOs from the global governance or voluntary regulatory aspects (Christmann and Taylor, 2002; Teegen *et al.*, 2004), as well as NGOs and businesses as institutions or in different institutional contexts (Doh and Teegen, 2002; Doh and Guay, 2006). Holmes and Moir (2007) provide a theoretical framework on business-NGO engagement from the perspective of innovation.

Various forms of business NGO engagement can be distinguished. Kourula (2006) identified the following eight engagement forms in an analysis of the forest products' and energy industries:

1. *Sponsorship*. A company provides financial support or charity to an NGO, possibly including marketing cooperation.
2. *Single issue consultation*. An NGO is consulted on a specific issue, such as the environmental effect of a specific product.
3. *Research cooperation*. A company and an NGO both provide resources for a research project.
4. *Employee training and/or volunteerism*. NGO representatives are invited to train company employees on specific issues or company employees volunteer their time and work for an NGO project.
5. *Certification or eco-labeling*. An NGO certifies a company's product or service as meeting specific environmental and/or social performance measurements.
6. *Systematic dialogue*. A company has systematic forms or forums of dialogue such as roundtables with NGOs and other stakeholders.
7. *Common projects/programs*. A company and an NGO cooperate in the form of a single project with concrete actions (not only research) and goals or in the form of a program consisting of multiple projects.
8. *Strategic partnerships*. A company and an NGO can sign partnership agreements, agree on long-term common goals and combine various forms of cooperation such as the above-mentioned.

This list of engagement forms cannot be considered as exhaustive, since other types of engagement can be developed. Nonetheless, we use this categorization of engagement forms as the basis of the empirical analysis of the case companies' cooperation with NGOs. The methodological choices made in the study are described in the subsequent chapter.

Methodology

This paper analyzes three company cases' engagement with NGOs. The three cases – Hindustan Unilever, Nokia and Stora Enso – are chosen based on revelatory sampling. Thus, the aim was not to pick representative cases, but choose three companies, which have diverse and publicly reported cooperation with NGOs. The diversity criterion is needed since we want to study a variety company-NGO engagement forms that represent different CR types.

Three companies from different industries are chosen. Hindustan Unilever Limited (www.hll.com) is India's largest fast moving consumer goods company and a subsidiary of Unilever. It sells home and personal care products and foods and beverages. Hindustan Unilever's revenue in 2006 was about US\$3 billion and it has approximately 15,000 employees. The second case, Nokia (www.nokia.com), is a global leading telecommunications company based in Finland. The company provides mobile phones, broadband, IP network infrastructure and related services. At the end of 2006, its revenue was about US\$54 billion and it has approximately 68,000 employees. The third and final case, Stora Enso (www.storaenso.com), is a global forest products company based in Finland. It is a global leader in the production of a wide range of paper and wood products such as magazine paper, newsprint, fine papers, packaging boards, and sawn timber. In

2006, the company revenue was about US\$20 billion and it had approximately 44,000 employees (figures from Hoover's company records).

Data are gathered through documentary research utilizing sustainability reports, project reports and company websites. For Hindustan Lever, different sources of data included are the company sustainability report for 2006, the company website's "citizen Lever" and "investor" sections and the Unilever website "environment and society" section. For Nokia, data sources are company sustainability reports for 2005 and 2006, the company website's "corporate responsibility" section and the "Be there! Volunteer – The Nokia Helping Hands Guide on Volunteering" for 2003. For Stora Enso, data sources are company sustainability reports for 2005 and 2006, the company website's "sustainability" section and "From Russia ... with Transparency", the Tikhvin-Chalna project report.

The data was analyzed on the basis three main items. These were the forms of NGO cooperation, business outcomes and societal outcomes. In addition, the companies' NGO cooperation was evaluated using the three CR types. The following chapter presents the empirical findings of the study.

Empirical results

We start by analyzing Hindustan Unilever, then Nokia and finally Stora Enso. From the above described data, altogether 20 collaborations between the three case companies and NGOs are selected. Five of these collaborations are identified for Hindustan Unilever. They are mostly with local NGOs and focus the collaboration forms of sponsorship, dialogue, common programs and partnerships. All CR types previously described are represented. The NGOs engaged and the outcomes of this engagement are described in Table II.

When examining the outcomes of engagement, we divide the business benefits that can result for a firm from CR activities into three crude categories:

1. Reputation and brand value enhancement.
2. Improved environmental and social performance of the company.
3. Creating new business models or conquering new markets.

Table II Business and societal outcomes of Hindustan Unilever's NGO engagement forms

<i>NGO engaged</i>	<i>Engagement form</i>	<i>Business outcomes</i>	<i>Societal outcomes</i>	<i>CR type</i>
Mother Teresa and the Missionaries of Charity (Happy Homes program)	Sponsorship	Reputation; brand value	Homes for destitute and HIV-positive people	Philanthropy
Multiple self-help groups (Shakti program)	Strategic partnership	Increase in sales of goods through a new marketing channel	Empowerment of women through income generation	Innovation
SEWA (RUDI initiative)	Common program	Better quality of grains; elimination of middle-men in procurement of food grains	Livelihood for subsistence farmer women (due to fair prices and marketing channel)	Innovation
Vanrai (Greening barrens program)	Common program	Eco-efficiency in some company sites and in communities	Second crop to community makes possible increased incomes; alternate income-generating activities (e.g. forestry management, education of children, nutrition)	Integration
United Nations Global Compact (UNGC)	Systematic dialogue	Best practices and dialogue	N/A	Integration

Likewise, we categorized societal outcomes into three loose groups:

1. Support for fulfillment of basic needs and/or rise in awareness.
2. Opportunities for local populations to voice concerns and have an influence.
3. Local income generating mechanism and self-sufficiency.

The outcomes and CR types of NGO collaborations of Hindustan Lever are depicted in Figure 1. The vertical axis represents business outcomes, the horizontal axis depicts societal outcomes and the ovals represent the collaborations. The color of the oval indicates the CR type. It should be noted that the United Nations Global Compact (Unilever is a member of UNGC) is not included, since it is difficult to assess the societal benefits of memberships. All in all, Hindustan Unilever's collaboration takes various forms and the membership with UNGC is the only engagement with clear governance implications.

A similar type of analysis is conducted for Nokia. Seven NGO collaborations are identified for Nokia. They are mostly with international NGOs or UN agencies and include sponsorship, employee volunteerism, dialogue, common programs and long-term cooperation agreements. Again, all CR types previously described are represented. The NGOs engaged and the outcomes of this engagement are described in Table III.

As for the previous case company, the outcomes and CR types of NGO collaborations of Nokia are portrayed in Figure 2. Nokia cooperates with NGOs in various ways – philanthropy, CR integration and innovation. Engagement with the Red Cross is difficult to categorize, since could be viewed as strategic philanthropy – combining sponsorship and volunteering with the development of a mobile application. From a governance perspective, Nokia is involved in the development common environmental guidelines with a UNEP project, is a member of the UN Global Compact. The cooperation agreement with WWF can also be viewed as a form of voluntary governance.

The third and final case company is Stora Enso. Eight NGO collaborations are identified for Stora Enso. They are also mostly with international NGOs and multi-stakeholder forums as well as UN agencies. Cooperation forms include sponsorship, consultation, certification, systematic dialogue, common programs and long-term cooperation agreements. In terms of the CR type, this forests products company seems to emphasize the integration aspect,

Figure 1 Business and societal outcomes of CR types for Hindustan Unilever

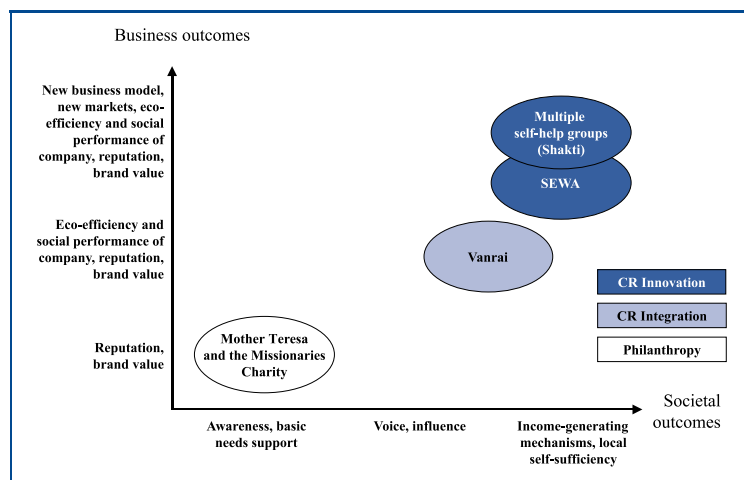
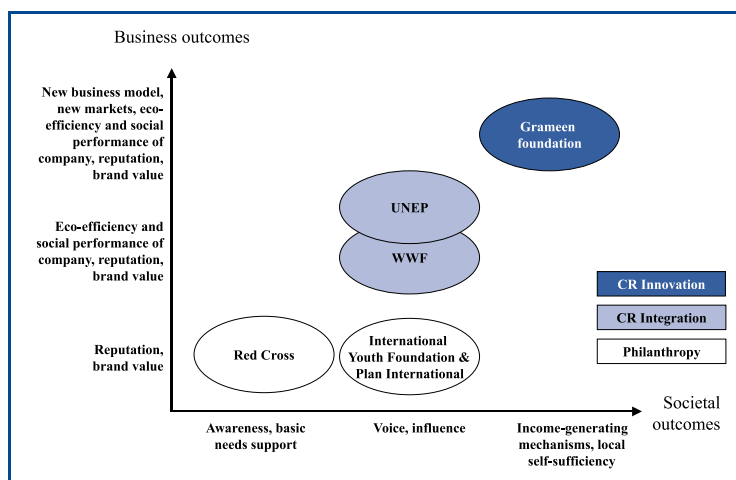


Table III Business and societal outcomes of Nokia's NGO engagement forms

NGO engaged	Engagement form	Business outcomes	Societal outcomes	CR type
Grameen Foundation	Common program	Development of new business model	Possibilities for women to start self-sustaining businesses	Innovation
International Youth Foundation	Sponsorship	Brand value; reputation	Increase in young people's engagement in their communities	Philanthropy
Plan International	Sponsorship	Brand value; reputation	Children's education in Africa	Philanthropy
Red Cross	Sponsorship; employee volunteering; common project	Brand value; reputation; added value for product	Disaster relief; development of new mobile application for emergency service personnel in first aid	Philanthropy
United Nations Environmental Program (UNEP)	Systematic dialogue	Development of common guidelines for environmentally sound management of used and end-of-life mobile phones	Reduced environmental harm from electronic waste	Integration
United Nations Global Compact (UNGC)	Systematic dialogue	Best practices and dialogue	N/A	Integration
World Wildlife Fund (WWF)	Cooperation agreement; employee volunteerism through Helping Hands program	Management training, cases, workshops, roadshows, learning websites; support for environmental strategy implementation; broader stakeholder acceptance; employee satisfaction, teamwork skill development and networking through volunteering	Challenging the conservation agenda of companies	Integration

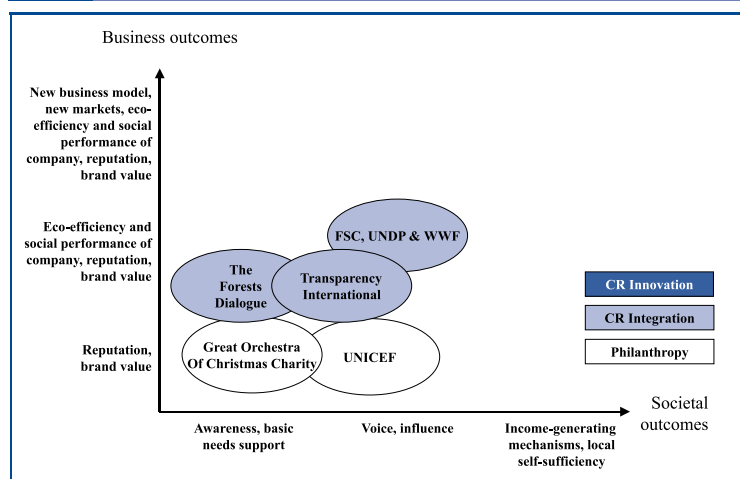
Figure 2 Business and societal outcomes of CR types for Nokia

although philanthropy is present as well. The NGOs engaged by Stora Enso and the outcomes of this engagement are described in Table IV.

As for the two previous case companies, the outcomes and CR types of NGO collaborations of Stora Enso are portrayed in Figure 3. Out of the three case companies, Stora Enso is the

Table IV Business and societal outcomes of Stora Enso's NGO engagement forms

NGO engaged	Engagement form	Business outcomes	Societal outcomes	CR type
Forest Stewardship Council (FSC)	Forest certification (eco-labeling)	Fulfilling customer requirements; potentially increased sales	Improved biodiversity of forests	Integration
Great Orchestra of Christmas Charity	Sponsorship	Brand value; reputation	Support for the purchase of medical equipment for children's wards in hospitals	Philanthropy
The Forests Dialogue (various NGOs)	Systematic dialogue	Improved stakeholder relations; best practices	Development of sustainable forestry practices	Integration
Transparency International (Tikhvin-Chalna project in Russia)	Consultation/third-party review	Advancement of business practices, improved labor conditions, improved customer relations	Environmentally and socially sustainable logging	Integration
United Nations Development Programme (UNDP)	Environmental and Social Impact Analyses; Consultation; cooperation agreement	Employment and gender issues; savings through improved water management; development of conflict management mechanisms and stakeholder participation and communication; alignment and integration of company projects with government and NGO initiatives	Improved dialogue with communities and NGOs; biodiversity, hydrological resources; tree farm compliance with environmental permits; support for rural livelihood and creation of community telecenters	Integration
United Nations Global Compact (UNGC)	Systematic dialogue	Best practices and dialogue	N/A	Integration
United Nations Children's Fund (UNICEF)	Sponsorship	Brand value; reputation	Children's education	Philanthropy
World Wildlife Fund (WWF)	Common programs; Cooperation agreement	Testing of Nordic environmental management methods in Russia; cost-efficiency in forest certification models for small-scale forest owners	Improving ecological conditions of Baltic Sea; voluntary forest conservation program in Finland	Integration

Figure 3 Business and societal outcomes of CR types for Stora Enso

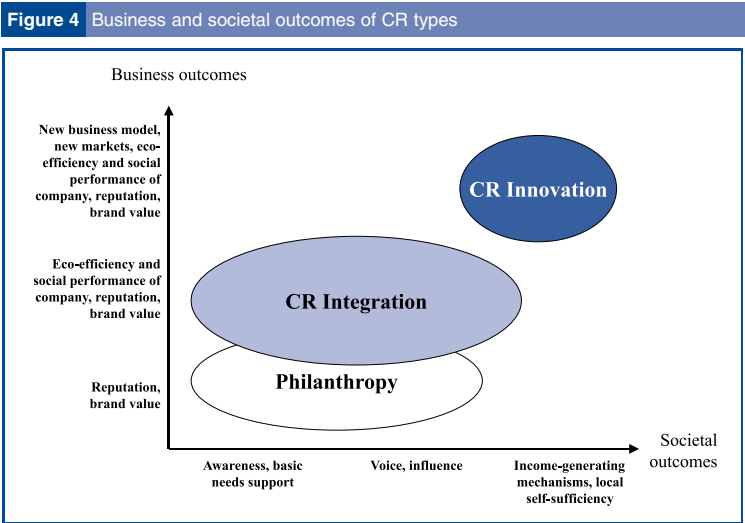
only one with a clear CR integration emphasis with philanthropy playing a minor role. Especially cooperation with WWF includes innovative elements, but the focus is still on the improvement of the company's current forestry practices – it is thus seen as CR integration. From a governance perspective, engagement with Forest Stewardship Council, the various NGOs involved in The Forests Dialogue and UN Global Compact are clear forms of multi-stakeholder forums of governance and cooperation with WWF and UNDP can also be seen as a form of voluntary governance.

Through this analysis, we see that the three case companies collaborate in various ways with NGOs. On the one hand, Hindustan Unilever and Nokia do not focus on a specific type of cooperation and forms of NGO collaborations can be seen as philanthropy, CR integration and innovation. On the other hand, Stora Enso focuses on CR Integration type of collaboration as well as to a lesser extent philanthropy. The following chapter discusses these empirical results and presents the main findings and conclusions.

Discussion and conclusions

The forms of NGO engagement in philanthropy typically included sponsorship and employee volunteering. CR integration involved systematic dialogue, common programs, partnerships, certification, consultation and research cooperation. CR innovation emphasized a deep relationship between NGOs and companies and took the form of common programs and partnerships.

The business and societal outcomes of NGO collaboration are depicted in Figure 4. The analysis of 20 CR cases suggests that philanthropy type CR tends to produce reputational/brand value enhancement for the firm, and its societal outcomes most often support the basic needs of disadvantaged people, the rise of awareness of social and environmental issues as well as to some extent participation of local population. CR integration may enhance reputation as well, but in addition these types of activities improve environmental and social aspects of the company's product or processes in its own facilities or some part of the supply chain operations. For the company, CR integration can involve environmental guidelines, best practices, management tools, training, and can result in increased employee satisfaction, the fulfilling of customer requirements, and broader stakeholder acceptance and participation. The societal outcomes of CR integration seem in quite a few cases to have a positive influence on the possibilities of stakeholders to voice



concerns, have an opportunity to influence as well as participate in decision-making. From the company perspective, like CR integration, CR innovation is usually close to core business. Its strategic role can, however, be different from that of CR integration. Namely, CR innovation involves creating new products, services or business models that may be particularly important for the future of the company. Occasionally CR innovation also means conquering major new markets – particularly in the case of BOP approach. In sum, the analysis suggests that CR integration and CR innovation types potentially carry more long-term positive business outcomes than philanthropy. Interestingly, CR innovation type of business-NGO engagement activities seem to have highest potential in creating income-generating mechanism locally and support self-sufficiency in local communities.

All in all, the contribution of this paper is firstly in the application of a new action-oriented categorization of CR, secondly in the analysis of different forms of business-NGO engagement and thirdly, in the evaluation of business and societal outcomes of business-NGO collaboration.

Nevertheless, admittedly the study involves some limitations. The data analyzed includes only publicly available documents and a deeper analysis could be conducted through the gathering of interview data and through observation. In other words, we present here a preliminary evaluation based on thin evidence. The outcomes in reality are more complex than we are able to present in this paper. Our aim, however, is to convey an idea about how business and social outcomes could be evaluated rather than present conclusive evidence. It is interesting to note that although the case companies collaborate with many NGOs in various ways, they do not communicate much about the outcomes of this engagement. Indeed, the business or societal outcomes of specific collaborations are often unclear and can be very difficult to evaluate. It should also be noted that the data are from company sources and thus could be complemented with NGO sources to provide a more balanced view.

These limitations lead us to suggest avenues for further research. First, in-depth case studies of CR projects should be conducted to assess the business and societal outcomes of different types of actions – philanthropy, CR integration and CR innovation. Second, more precise indicators of business and societal outcomes of specific collaborations should be developed, improved and analyzed further. Thirdly, a larger amount of projects should be examined for the purposes of generalizing. Finally, studies should be conducted on the financial performance implications and societal outcomes of various forms of voluntary governance.

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STAKEHOLDER PRESSURE AND SOCIALLY RESPONSIBLE PURCHASING

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This paper studies the development of socially responsible purchasing in three retail companies –Hennes & Mauritz and Ikea of Sweden and Kesko of Finland – in reaction to stakeholder pressure over time. The strategic, organizational and tactical level development of socially responsible purchasing are analyzed.

1. INTRODUCTION

The international purchasing operations of companies have changed dramatically in the past few decades. Diminishing trade barriers and freight costs, lower manufacturing costs in countries such as China, intensifying competition and technological development have led corporations to increase purchasing internationally. Many retail companies, in particular, are dependent on international purchasing. At the same time, pressure on corporations from various stakeholder groups for more responsible purchasing has also grown significantly. Furthermore, companies are increasingly interested in how to manage their stakeholder relations and how to define their responsibility. Stakeholder theory and corporate social responsibility (CSR) have also become well established in the field of business and society.

There has been growing research interest in socially responsible purchasing. This research has dealt with specific issues within socially responsible purchasing, such as child labor or corruption (Kolk, van Tulder, 2002; Millington *et al.*, 2005) and specific industries, such as coffee and sporting goods (Kolk, 2005; van Tulder, Kolk, 2001). However, research on stakeholder pressure for socially responsible purchasing is relatively scarce. Maignan, Hillebrand and McAlister (Maignan *et al.*, 2002; Maignan, McAlister, 2003) have studied the effect of stakeholder pressure on responsible purchasing, but there are few examples of companies adopting responsible purchasing strategies and practices in different ways and of stakeholder pressure over time.

This paper intends to fill this gap by investigating the responsible international purchasing of retail companies. It analyzes three Nordic companies – Hennes & Mauritz (H&M) and Ikea of Sweden and Kesko of Finland – and changes in their purchasing from 1990 to 2004.

The two main research questions of the paper are the following:

- 1) How have stakeholders criticized the international purchasing operations of companies?

- 2) What kind of responsible purchasing strategies, organizational structures and practices have companies adopted in response to this stakeholder pressure?

The following sections will analyze the literature in the field, present the research setting and theoretical framework, discuss methodology and the main findings, and provide conclusions and avenues for future research.

2. LITERATURE REVIEW

The theoretical foundation of this study is stakeholder theory, which is a managerial concept of strategy. The theory is based on the notion that an organization's success is dependent on how well it manages the relationships with its main stakeholders such as employees, customers, suppliers and communities (Freeman, 1984; Phillips *et al.*, 2003). A stakeholder can be defined broadly as «any group or individual who can affect or is affected by the achievement of an organization's objectives» (Freeman, 1984).

Stakeholder pressure is a research topic within stakeholder theory, that has been studied increasingly (Oestreich, 2002). This paper looks at stakeholder pressure from key external stakeholder groups – the media, customers, nongovernmental organizations (NGOs), and activists, since these are the groups that have exerted much of the pressure on retail companies. Furthermore, it focuses on the social dimension of international purchasing and especially employee conditions. As Guvenli and Sanyal (2002) state, employee conditions have generally been seen as one of the most important ethical issues in international business.

Some of the most important issues criticized by the above-mentioned stakeholder groups are subcontracting and operations in developing countries. These have become relevant issues to an increasing number of companies as purchasing operations have become more international (Handfield, Nichols, 2004; Quintens *et al.*, 2006). At the same time, the role of supply has changed from an administrative towards a more strategic function and companies have deepened cooperation with their suppliers, especially in industrial sectors (Gadde, Håkansson, 1994). Companies are giving increasing strategic attention to benefits that can be gained from cooperation with suppliers (Gadde, Snehota, 2000). This deeper cooperation with suppliers has helped companies to improve the management of responsibility issues related to purchasing within the supply chain. As Blowfield (2005) states, a senior manager of a multinational company in 1990 could still say that the firm has no responsibility for what happens in its suppliers' factories. This is not likely to happen today.

The academic interest in socially responsible purchasing has frequently taken the form of research on codes of conduct and ethical decision-making in purchasing. Commonly, specific issues, such as child labor (Kolk, van Tulder, 2002), corruption (Millington *et al.*, 2005), ethical decision-making of individuals (Landeros, Plank, 1996), reputation (Roberts, 2003), and fair trade (Moore, 2004) have been addressed. Studies have also focused on particular industries such as coffee (Kolk, 2005) and sporting goods (van Tulder, Kolk, 2001; Mamic, 2005). Research on specific countries has also been conducted (for instance Jorgensen, Knudsen, 2006 on Denmark; Razzaque, Hwee, 2002 on Singapore;

Cooper *et al.*, 2000 on India, the United States, the United Kingdom and Canada). In terms of methodology, case studies of large companies have usually been used to study responsible purchasing (Badenhorst, 1994; Graafland, 2002; Winstanley *et al.*, 2002; Prieto-Carron, 2006). This study also utilizes the case study approach, but takes a long-term perspective on the development of socially responsible purchasing at different levels – strategic, organizational and tactical – and also looks at stakeholder pressure the case companies have experienced. The following section describes the research setting and theoretical framework for the study.

3. RESEARCH SETTING AND THEORETICAL FRAMEWORK

In this paper, the focus is on stakeholder pressure and the development of responsible purchasing strategies over time – in the period from 1990 to 2004. The study concentrates on retail companies whose international purchasing is subject to considerable pressure. The investigation concerns three Nordic retail companies, two of which have been subject to significant stakeholder pressure. One company has experienced little pressure. Figure 1 depicts the research setting of the study.

The paper studies the strategic, organizational and tactical level responses of the case companies to stakeholder pressure in their international purchasing. Thus the case companies are the focus of the study, although stakeholders' perceptions of case company responses are briefly analyzed and suppliers are discussed when describing the case companies' tools for socially responsible purchasing in the supply chain. It is important to note that the aim is to depict different socially responsible purchasing related strategies and tools that the companies have adopted – their effectiveness is not analyzed. The three key stakeholder groups analyzed are the media, customers and nongovernmental organizations (NGOs).

To analyze responsible purchasing strategies, this study resorts to a theoretical framework by Maignan, Hillebrand and McAlister (2002). They define socially responsible buying as the inclusion in purchasing decisions of the social issues advocated by organizational stakeholders. Strategies adopted by a given firm may range from reactive to proactive approaches as given in Table 1.

While this framework focuses on socially responsible buying/purchasing, the present paper takes a broader view of pur-

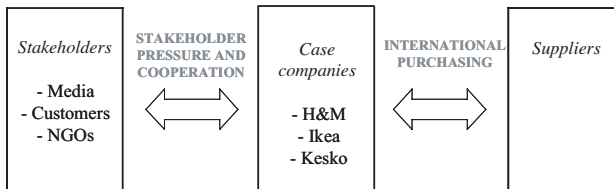


FIGURE 1.
RESEARCH SETTING OF THE STUDY

TABLE 1.
CATEGORIZATION OF SOCIALLY
RESPONSIBLE BUYING

REACTIVE	DEFENSIVE	ACCOMMODATIVE	PROACTIVE
Denying the relevance of any stakeholder issue to the organization; denying that the firm has stakeholder responsibilities	Implicitly acknowledging the existence of stakeholder issues, but avoiding to address these issues	Addressing stakeholder issues as long as they do not impair established organizational processes and financial performance	Systematically anticipating, surveying, and addressing stakeholder demands

Source: Maignan *et al.*, 2002.

chasing and supply management, and aims at determining the strategic, organizational and tactical responses of the case companies to stakeholder pressure. More specific measures for responses are, for instance, the use by the companies of tools such as codes of conduct, supplier audits, appendices to agreements, questionnaires sent to suppliers (Grundström, 2004), standardization/certification (e.g. SA8000) and stakeholder cooperation. Hence, the paper analyzes how the purchasing strategies of companies have changed over the years in response to stakeholder pressures, and how

these changes are seen in the adoption of the above mentioned measures. The following section discusses the methodological choices made in the study.

4. METHODOLOGY

The paper utilizes a multiple case study method (Yin, 2003). Empirical data were gathered by face-to-face interviews with the CSR managers of the case companies (in Sweden in 2003 and in Finland in 2005), as well as by documentary research. For the latter, the search concerned a large

TABLE 2.
KEY INFORMATION ON THE CASE
COMPANIES IN 2004

	HENNES & MAURITZ	IKEA	KESKO
<i>Location of headquarters</i>	Sweden	Sweden	Finland
<i>Industry</i>	Fashion retail	Furniture retail	General retail (inc. e.g.. food, home improvement, automobile, agriculture)
<i>Year of establishment</i>	1947	1954	1940
<i>Number of stores (including franchisees)</i>	1,000+	202	1,900
<i>Employees</i>	45,000	84,000	17,500
<i>Turnover</i>	€ 6.8 billion	€ 12.8 billion	€ 7.5 billion
<i>Suppliers</i>	700	1,500 in 55 countries	19,600, of which 5,200 abroad
<i>Production countries</i>	60% in Asia, rest primarily in Europe	Biggest production countries China, Poland, Sweden, Italy and Germany	Biggest production countries Germany, Sweden, China, Italy, France and Netherlands
<i>Purchasing offices</i>	21	43	Non-existent in a fashion similar to that of the other case companies

Source: Company web pages.

number of documents, including company annual reports, sustainability reports, websites, Internet search as well as a key word search of three major national newspapers – the Swedish *Dagens Nyheter* and *Aftonbladet*, and Finnish *Helsingin Sanomat*. Only the most visible events and discussions within the time frame of the study – from 1990 to 2004 – are reported. Data gathering took place in part in connection with a book project entitled *Gatekeepers of Globalization* (Grundström, 2004).

The choice of the case companies was based on their similarities – internationally operating retail companies, whose success relies heavily on the success of purchasing operations. Especially the Swedish case companies have been criticized in the past for their lack of responsibility in purchasing, and all case companies actively communicate on responsibility related issues. Thus the availability of data was a factor in the choice of companies. Table 2 provides key information about the case companies. The case companies are quite different in terms of industry, number of employees and, most importantly, number of suppliers. Kesko has a

much wider product range than the two Swedish companies. Europe and Asia, and especially China are important sourcing countries for the corporations. H&M and Ikea have a network of purchasing offices located close to their suppliers, while Kesko operates with a more scattered supply side in terms of both products and suppliers.

5. MAIN FINDINGS AND DISCUSSION

In this section, the case companies are examined in the following order: Hennes & Mauritz, Ikea and Kesko. For each case company, the stakeholder pressure experienced by the company, the tactical responses, the organizational changes and the socially responsible purchasing strategy is analyzed in that order.

Hennes & Mauritz

Table 3 reviews the stakeholder pressure on and responsible purchasing related actions of H&M.

It seems that the stakeholder pressure experienced by H&M has mostly taken the form of customer demonstrations and me-

1996	– Demonstrations outside H&M shops in the Netherlands against exploitation of workers in developing countries – Dialogue between H&M and NGO Clean Clothes Campaign starts
1997	– H&M introduces a new code of conduct for suppliers and their subcontractors – SVT airs “H&M – at any price?” TV documentary in Sweden
1998	– H&M begins the auditing of its suppliers’ facilities – Late 1990s: H&M reshapes its purchasing operations
2000	– Newspaper <i>Aftonbladet</i> accuses H&M of exploiting workers in Romania
2001	– <i>Aftonbladet</i> accuses H&M of exploiting workers in Cambodia, but soon has to withdraw the accusation
2003	– H&M publishes its first sustainability report – Demonstrations take place outside H&M shops in the US against alleged exploitation of workers in developing countries and the lack of freedom of association in the US
2004	– H&M and trade union grouping Union Network International agree to work together in the field of worker’s rights

TABLE 3.
STAKEHOLDER PRESSURE ON
AND RESPONSIBLE PURCHASING
RELATED ACTIONS
OF HENNES & MAURITZ

dia criticism in various countries. Most often, the pressure has been related to alleged exploitation of workers in less developed countries. As a tactical level response, H&M launched its code of conduct in 1997 to increase the social responsibility of its purchasing. The long-term objective of the company is to achieve full code of conduct compliance by all suppliers and their subcontractors. Furthermore, the company has initiated cooperation with NGOs such as Clean Clothes Campaign and Union Network International. On an organizational level, the purchasing operations of the company were completely reshaped in the 1990s, when H&M founded a network of purchasing offices, or production offices as the company calls them, close to its suppliers. As a result, the supplier monitoring of H&M is today conducted mostly through internal inspections. H&M has

also constantly reduced the number of its suppliers and increased the cooperation with the remaining ones. So far, H&M has been unwilling to become a member of purchasing standards organizations, such as the European Business Social Compliance Initiative (BSCI) or to promote the Social Accountability SA8000 standard for its suppliers because the company has relied on its own monitoring and auditing system. On a strategic level, it can be argued that the general socially responsible purchasing strategy of H&M has moved from reactive/defensive to accommodative as described in the theoretical framework.

Ikea

Table 4 reviews the stakeholder pressure on and responsible purchasing related actions of Ikea.

TABLE 4.
STAKEHOLDER PRESSURE ON
AND RESPONSIBLE PURCHASING
RELATED ACTIONS OF IKEA

1992	– Swedish broadcasting company airs a TV program accusing Ikea of exploitation of child workers in Pakistan
1993	– German TV accuses Ikea of exploiting workers in the Philippines – Soon after the documentaries are aired, Ikea publicly admits that at least some of the accusations are true – Ikea contacts Save the Children and Unicef to help it solve the problem
1994 1997	– Other documentaries and reports accuse the company of exploitation of child workers in Pakistan, the Philippines, India and Vietnam
1998	– Norwegian wood workers demand a Scandinavian boycott against Ikea after British <i>Sunday Times</i> writes that Ikea workers in Romania are paid only 3 crones per hour – Ikea signs an agreement with the International Federation of Building and Wood Workers (IFBWW)
1999	– Ikea sponsors Unicef program related to prevention of child labor in India – Reshaping of purchasing operations of the company in the late 1990s
2000	– From 2000 onwards all Ikea's suppliers have to subscribe to a code of conduct called "The Ikea Way of Purchasing Home Furnishing Products" (Iway) – Regular inspections of suppliers' factories start
2001	– A new agreement based on Ikea's code of conduct is signed with IFBWW
2003	– Dutch trade union federation asks Centre for Research on Multinational Corporations (Somo) to investigate Ikea suppliers in India, Bulgaria and Vietnam. The study finds some violations of code of conduct in terms of working hours, freedom of association and collective bargaining – A project regarding working hours in China is launched with Impactt, a UK-based organization specializing in improving labor standards

Ikea seems to have been pressured by stakeholders mostly in the form of criticism from the media and trade unions. As a tactical level response, Ikea published its code of conduct «The Ikea Way of Purchasing Home Furnishing Products» in 2000 to improve the social responsibility of its purchasing. All Ikea's suppliers must, within a specified period of time, comply with the code. Furthermore, Ikea started to work with NGOs and United Nations agencies after being accused of exploiting workers in its supplier factories. Ikea also works with World Health Organization, has signed agreements with the International Federation of Building and Wood Workers (IFBWW), and created strategic partnerships with Unicef and Save the Children. On an organizational level, Ikea reshaped its purchasing operations in the late 1990s, like H&M, and founded a network of purchasing offices in countries where a large part of its suppliers are located. This allows Ikea to have close contact with its suppliers and also monitor the social quality of the production in the supplier factories. Nonetheless, Ikea has also been unwilling to become a member of purchasing standards organizations, such as the European Business Social Compliance Initiative (BSCI) or to promote the Social Account-

ability SA8000 standard for its suppliers. The auditing of suppliers is mostly handled by company personnel. On a strategic level, it can be argued that the general socially responsible strategy of Ikea has moved from reactive/defensive to accommodative as described in the theoretical framework.

Kesko

Table 5 reviews the stakeholder pressure on and responsible purchasing related actions of Kesko.

Interestingly, Kesko has been criticized very little by stakeholders. While the Swedish case companies have been fiercely criticized in the Swedish media, the Finnish media has usually presented Kesko as an ethical company, with the exception of a few minor critical mentions. On a tactical level, the company has implemented various tools to increase social responsibility in its purchasing operations. Kesko was the first Nordic company to commit to the international Social Accountability SA8000 auditing standard. However, the standard has not proven to be very successful, since in 2004 only 23 of Kesko's suppliers had a SA8000 certification. However, Kesko has also been active in developing the European BSCI auditing system, which is a common policy of companies for monitoring and im-

Late 1990s	– Kesko observes international trends related to globalization and realizes that CSR issues are becoming increasingly important in retailing
1999	– Kesko's Board of Directors accepts the ethical principles for purchasing: Kesko is the first Nordic retailer that becomes committed to the SA8000 standard – Kesko rearranges purchasing function so that each individual Kesko chain becomes more responsible for its own purchasing
2000	– Kesko publishes its ethical principles of importing
2001	– Kesko publishes its first sustainability report
2004	– European Business Social Compliance Initiative (BSCI) is launched and Kesko is one of the founding members

TABLE 5.
STAKEHOLDER PRESSURE ON
AND RESPONSIBLE PURCHASING
RELATED ACTIONS OF KESKO

proving social standards in supplier countries. Kesko wishes that an important part of its purchases could be made from suppliers that have undergone a BSCI audit and the company aim has been to increase its suppliers BSCI auditing especially in high-risk countries. Kesko has also been sending questionnaires to some of its suppliers to improve its socially responsible purchasing. Kesko treats 37 countries as high-risk countries, where legislation and/or its enforcement do not guarantee that international minimum standards are met by suppliers. In these countries Kesko recognizes a higher risk related to social responsibility issues. On an organizational level, at the turn of the century, Kesko rearranged its chain structure allowing individual Kesko chains to become more responsible for their purchasing operations instead of focusing on centralized purchasing. Kesko's socially responsible purchasing strategy does not seem to have been reactive or defensive because these strategies are defined by stakeholder pressure (of which the company has received very little compared with Ikea or H&M). In terms of the theoretical framework, it can be argued that the general socially responsible strategy of Kesko has moved to being increasingly proactive.

6. CONCLUSION

This paper examined socially responsible purchasing strategies adopted by three Nordic retail companies – Swedish Hennes & Mauritz (H&M), Swedish Ikea and Finnish Kesko – in reaction to increasing stakeholder pressure from 1990 until 2004. A multiple case study method was used and data were gathered through interviews of corporate social responsibility managers and documentary research.

The case companies have received different types and amounts of stakeholder pressure and have responded to it in different ways. Ikea and H&M have received a relatively large amount of pressure from stakeholder groups such as the media, customers and NGOs. Kesko, in turn, has received rather little stakeholder pressure. Potential reasons for this varying amount of pressure are that aggressive stakeholder criticism or pressure seems to be relatively limited in Finland in comparison to Sweden, and that the Swedish companies are built around one strong corporate brand, while Kesko is much more diversified and utilizes a very large amount of different brands. The Swedish companies have generally changed their socially responsible purchasing strategies from reactive/defensive to accommodative, while the Finnish Kesko has taken a more proactive approach.

In terms of organizational structure, both H&M and Ikea have a network of purchasing offices allowing them to work closely with their suppliers and accordingly monitor the social quality of the suppliers' manufacturing. However, the inspections are conducted mainly by company personnel and not by independent auditors. Kesko operates in a completely different manner – it is considerably smaller and engaged in more sectors of retailing than the Swedish case companies. Because of this, it does not have close contact with its suppliers and it operates without production offices from which it could monitor the social quality of the supplier production. Kesko has decided to focus on external monitoring. Unlike the two other case companies, only a small number of its suppliers are audited although independent auditors conduct the audits. According to Kesko, this type of arrangement in chain

structure allows individual Kesko chains to become more responsible for their purchasing operations.

On a tactical level, the tools for improving socially responsible purchasing have been the development of codes of conduct, supplier audits or inspections, appendices to agreements, questionnaires sent to suppliers, stakeholder cooperation (especially with suppliers and NGOs), standardization/certification and membership in purchasing standards organizations.

All in all, it seems that stakeholder pressure has at least partly contributed to more responsible purchasing operations. When studying stakeholder pressure, it is of course difficult to determine whether a specific pressure caused a specific response. Socially responsible purchasing strategies are likely to involve many internal and external drivers. However, each of the companies has indicated that the strategic nature of both purchasing and corporate responsibility have led them to develop more sustainable business practices in the past ten years.

Further research avenues can be identified based on this research. Retail companies are increasingly dependent on international purchasing and the present study has shown several changes with regard to their socially responsible purchasing; therefore further investigations of the retail sector should be conducted. In particular, there is a need to broaden the empirical base from two Nordic countries to other countries and to other industries. This study shows the value of analysis over time when investigating stakeholder pressure and responsible purchasing strategies, which is recommended for further studies as well. Finally, while external stakeholder pressure has been the focus here, it would be necessary to look further into the combined effect of external and internal drivers (e.g. management and company characteristics) through studies on decision-making, implementation and effectiveness related to socially responsible purchasing.

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