

Global Strategy and the Collaboration among MNEs, Governments and NGOs in the Global Business Environment



JONATHAN P. DOH
Villanova School of Business

University of Zurich
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Introduction



- **Nonprofit nongovernmental organizations (NGOs) have become important actors in the global political, social, economic and business environment**
 - Corporations are increasingly encountering NGOs
 - ✦ Relationships can either be antagonistic or collaborative
 - ✦ Impressive complementarities are often accompanied by differences
 - ✦ Interactions between the two are multidimensional, incorporating elements of conflict and cooperation
- **Most research, to date, limited to descriptive case studies**
 - Fail to develop comprehensive typology and theoretical framework for understanding corporate-NGO engagements
 - In my recent research, I have sought to systematically examine these emerging relationships and position them in the context of global strategy and the global business environment



What are NGOs?

- *Civil society*, which is also referred to as the ‘third sector’ or the ‘non-profit’ sector, is used to broadly describe all aspects of society that extend beyond the realm of the public sector and the private sector (Pharr, 2003)
- Unlike state-based membership inherent in citizenship, association in civil society is voluntary; individuals coalescing around common ideas, needs, or causes to promote collective gain/ take *collective action* (Olson, 1971)
- When collective action of a group is sustained over time in an identifiable way and reflects an important emerging social change, it is a *social movement*
- *NGOs are organizational manifestations of social movements that take collective action to advance a cause*

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Classifying NGOs

- **NGO can be divided along two dimensions:**
 - for whom the NGO is designed to benefit
 - what the NGO does

Beneficiary	Self	Alcoholics Anonymous Chess clubs	Labor unions Trade associations
	Others	Salvation Army CARE	WWF Amnesty International
		Service	Advocacy
Type of activity			

Figure 1.1 Typology of NGOs

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Classifying NGOs – beneficiaries

- **Self-benefiting NGOs are often membership associations**
 - Distinguishable by the fact that the financial and/or labor contributors are themselves members
 - Examples include unions and community patrol groups
- **Other-benefiting NGOs are organizations in which capital and labor contributors are not members; or the pool of beneficiaries is so broad that the public good produced will be shared by society**
 - Examples include Greenpeace and Amnesty International
- **Differences lie in level of accountability, organizational challenges and public perceptions**



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NGOs and Corporations – Yaziji & Doh

Classifying NGOs – types of activities

- **Advocacy NGOs work to shape the social, economic or political system to promote a given set of interests**
 - Activities include lobbying, conducting research, and monitoring and exposing actions, etc.
 - ✕ “Watchdog” – less ideologically radical and ensure requirements of the system are set
 - ✕ “Social Movement” – do not support existing system, rather want to change or undermine it
- **Service NGOs provide goods and services to clients**
 - Examples: Red Cross/Red Crescent and Doctors Without Borders
- **Hybrid NGOs pursue both sets of activities**
 - Oxfam works to both change public policy while also remaining active on the ground
- **Important NGOs from standpoint of their networks**



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NGOs and Corporations – Yaziji & Doh

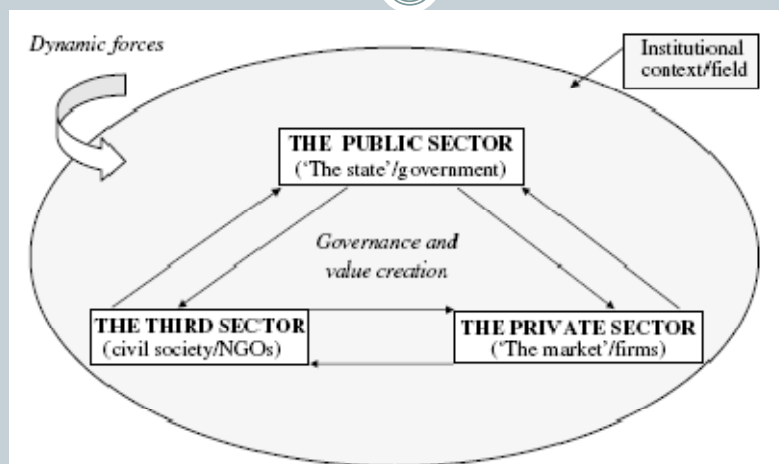
What are NGOs?

- NGOs are 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
- NGOs can be classified by the benefits they create: membership or club NGOs produce benefits geared toward their members, whereas social purpose NGOs promote broader social interests.
- Social purpose NGOs, our primary focus from here onward, are further classified according to their principal activities. Advocacy NGOs work on behalf of others who lack the voice or access needed to promote their own interests; operational NGOs provide critical goods and services to clients with unmet needs. Although some NGOs engage exclusively in either advocacy or operational efforts many are hybrid NGOs, which use both advocacy and operational means to achieve social benefit (Parker, 2003).

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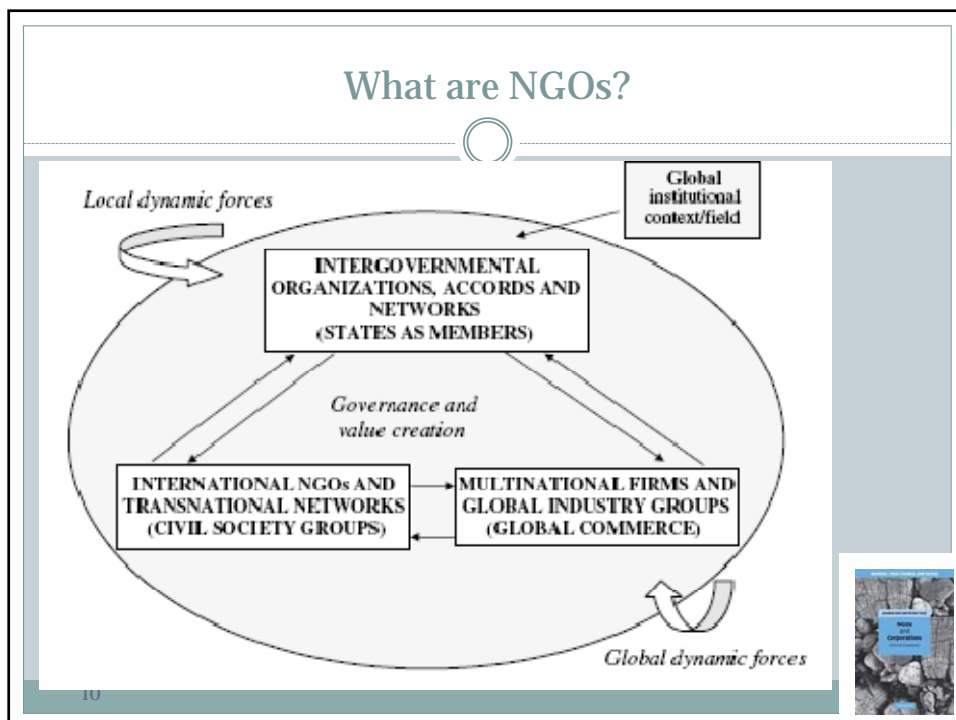
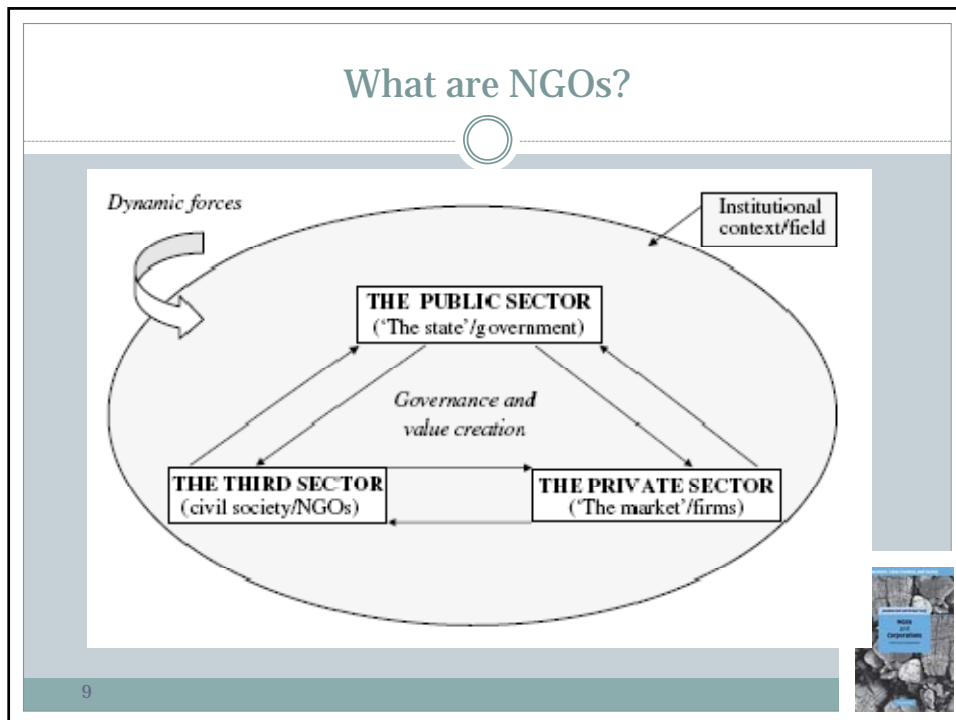


What are NGOs?



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Relevant research stream

Books

•Yaziji, M., & Doh, J.P. (2009). *NGOs and Corporations: Conflict and Collaboration*. Cambridge University Press. 191 pages.

•Lawton, T., Doh, J.P., Rajwani, T. (In process; expected publication: 2012). *Aligning for Advantage: Strategy for the Social and Political Arenas*. Oxford University Press.

Articles

•Doh, J.P., & Boddewyn, J. **Global Strategy and the Collaboration among MNEs, Governments and NGOs in the Global Business Environment**. Forthcoming in *Global Strategy Journal*.

•Doh, J.P., Husted, B., Matten, D., & Santoro, M. Ahoy there! Toward Greater Congruence and Synergy Between International Business and Business Ethics Theory and Research. (2010). *Business Ethics Quarterly*, 20 (3), 481-502.

•Dahan, N., Doh, J.P., Oetzel, J., & Yaziji, M. (2010). **Corporate-NGO Collaboration: Creating New Business Models for Developing Markets**. *Long Range Planning*, 43 (2), 326-342.

•Dahan, N., Doh, J.P., & Teegen, H. (2010). Role of Nongovernmental Organizations in the Business–Government–Society Interface: Special Issue Overview and Introductory Essay. *Business & Society*, 35 (1), 20-34.

•Vachani, S., Doh, J.P., & Teegen, H. NGOs' Influence on MNEs' Social Development Strategies in Varying Institutional Contexts: A Transaction Cost Perspective. *International Business Review*, 18 (5), 446-456.

•Oetzel, J., & Doh, J.P. (2009). Multinational Enterprise and Development: A Review and Reconceptualization. *Journal of World Business*, 44 (2), 108-120.

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Relevant research stream

Articles (cont'd)

- Dahan, D., Doh, J.P., & Guay, T.R. (2006). The Role of Multinational Corporations in Transnational Institutional Building: A Policy-Network Perspective. *Human Relations*, 59 (11), 1571-1600.
- Doh, J.P., & Guay, T. (2006). Corporate Social Responsibility, Public Policy, and NGO Activism in Europe and the U.S.: An Institutional-Stakeholder Perspective. *Journal of Management Studies*, 43 (1), 47-73.
- Pearce, J.A. II, & Doh, J.P. (2005). The High Impact of Collaborative Social Initiatives. *Sloan Management Review*, 46 (2), 30-39.
- Teegen, H., Doh, J.P., & Vachani, S. (2004). The Importance of Nongovernmental Organizations (NGOs) in Global Governance and Value Creation: An International Business Research Agenda. *Journal of International Business Studies*, 35 (6), 463-483.**
- Doh, J.P., & Guay, T.R. (2004). Globalization and Corporate Social Responsibility: How Nongovernmental Organizations Influence Labor and Environmental Codes of Conduct. *Management International Review*, 44 (3), 7-30.
- Guay, T., Doh, J., & Sinclair, G. (2004). Nongovernmental Organizations, Shareholder Activism, and Socially Responsible Investments: Ethical, Strategic, and Governance Implications. *Journal of Business Ethics*, 52 (1), 125-139.
- Cummings, J.L., & Doh, J.P. (2000). Identifying Who Matters: Mapping Key Players In Multiple Environments. *California Management Review*, 42 (2), 83-105.

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The emergence of NGOs – business-societal-government

- **NGOs constitute an important and influential set of actors within the broad context of business and society**
 - Have grown in number, power and influence
- **Internationally, number of NGOs has grown dramatically**
 - 15% of total foreign aid is channeled through NGOs
 - 85% of U.S. resource flows are nongovernmental
- **NGOs have stepped in to fill gaps of governments**
 - Broad implications for corporations operating in a global economy
- **Three conditions:**
 - Must be dissatisfaction among a population segment
 - Understanding that existing processes have failed
 - An allowing social, economic, political and technological context

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The emergence of NGOs — business-societal-government

- **Three perceived “market failures”:**
 - When the market will not adequately provide all goods and services as it may not be profitable – *social desirability*
 - When the price of goods and services do not reflect the true costs of producing those goods and services – *externalization*
 - ✦ Most obvious failure concerns environmental issues
 - ✦ More contentious version concerns indirect costs
 - When market is comprised of monopolies or monopsonies resulting in preferred positions and power – *imperfect competition*
 - ✦ A subset is asymmetry of information or influence
- **When the markets fail the government is responsible to address the failures through regulation/legislation**

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The emergence of NGOs — business-societal-government

- **Sources of regulatory and legislative failure:**
 - Identification and agreement that there is a market failure problem that needs to be addressed
 - Different philosophical positions regarding the extent to which government should intervene in the market
 - A power imbalance in the political system
 - Undue influence of some stakeholders in the political process, and resource constraints in terms of money, expertise or span of control
- **NGOs are much less accountable and transparent than firms**
 - Struggle to develop a system of self-regulation
 - A good name is increasingly critical to attracting resources

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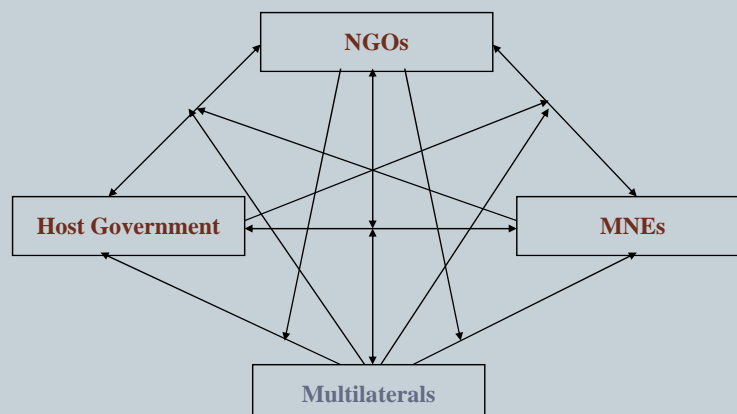
The emergence of NGOs – ethical and institutional

- **Institutional complexity stems from firms having many stakeholders with competing ideological and ethical views**
 - Stakeholders pose legitimacy questions, resulting in “social risk”
 - ✦ Question becomes how to balance the different claims
 - ✦ Contradicting ideologies are most important
- **A firm’s legitimacy is quality or state of being perceived or understood to be in accordance with a set of norms or values**
 - It is a resource, but not “owned”
 - Most difficult type – normative legitimacy
 - ✦ Sources of control are distributed and fragmented
 - ✦ Firms must heed demands of various (conflicting?) institutions
 - ✦ Choice must be exercised on considerations of minimizing exposure to social risk and on manager’s own values

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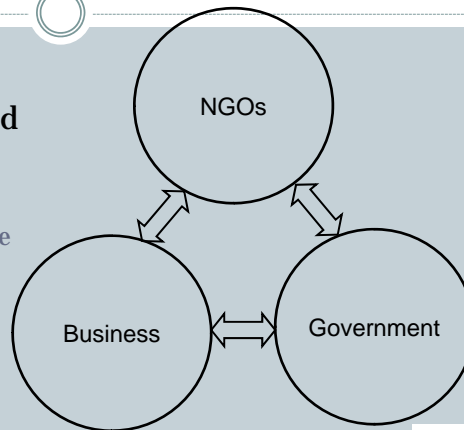


Business, government, and NGOs



The future of corporate-NGO relations

- **Research on new organizational forms points to the interrelated nature of strategy and structure**
 - Traditional boundaries are evolving
- **The nature of NGO-corporate-government interactions is co-evolutionary**
 - Changes in one sector, prompt responses and changes in others



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The future of corporate-NGO relations

- **A more specific evolution in NGO-corporate relations**
 - Stage 1: Conflictual campaigns
 - Stage 2: Partnering with single firms around the firm's practice
 - Stage 3: Voluntary industry standards
 - Stage 4: The future – collaboration in the creation of new regulations
- **NGOs will continue to exist as an important and influential organizational form**
 - NGO interactions with corporations will increase in frequency, intensity, and with greater creativity
 - Such collaborations are relevant and vital to a thriving social and business sector
 - However, also pose risks to traditional notions of global governance and appropriate roles of different sectors



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A few empirical examples

- **Nestlé in Africa**
 - Partnered with NGOs and governments to improve labor conditions and promote sustainable farming practices
- **P&G and Population Services International (PSI)**
 - Developed and introduced PUR, sachet deposited into 10-litre bucket of dirty water results in clean and safe drinking water
- **Electricité de France and World Bank and UN**
 - Energy Access collaboration with the World Bank, UN, other and NGOs to create small, locally-run electricity
- **Cemex's Patriomonio Hoy program**
 - Developed a package of products and services that allowed for self-construction of houses, including financing



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NGOs and Corporations – Yaziji & Doh

Implications for global strategy theory

- **MNC-Host Government Bargaining**
 - Addition of NGOs adds complexity and dynamism; latent and secondary affects from myriad stakeholders affect the “bargain” – importance of time dimension
- **Internalization**
 - Nonmarket subsystems – political, social and cultural – are subject to failures as are markets; MNEs and NGOs may need to fill social “institutional voids” in addition to economic ones
- **Institutional**
 - MNEs adapt and adjust practices to local social and political conditions, MNEs and NGOs craft emerging institutions that bypass and/or transcend historical institutional setting



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NGOs and Corporations – Yaziji & Doh

Implications of phenomenon for new theory

- **Crossvergence hypothesis and transmission mechanisms**
 - Socio-cultural influences (unique to specific societies) interact with business ideology (which transcends specific cultures) to drive formation of new values – a kind of hybridization of values; requires new perspectives on role of MNEs and NGOs as transmission mechanisms
- **Global governance and distributive justice**
 - Emergence of transnational social and environmental standards developed by non-state governance systems (Non-state market-driven – NSMD – regulations suggests incorporation of justice theory)
- **Evolutionary theories**
 - Interaction of MNEs, NGOs, governments and changing and evolving roles of each suggests evolutionary theory approaches to capture the temporal dimension and dynamic, interactive nature of relationship



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Collaboration and co-creation with NGOs for developing markets

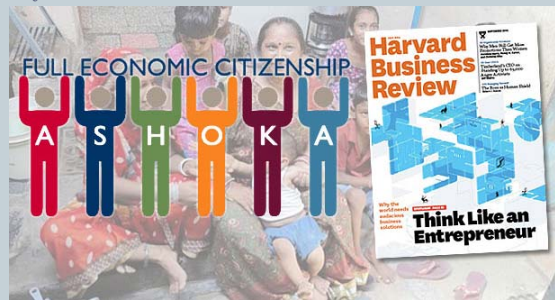
- **MNCs and NGOs developing collaborative relationships in emerging markets:**
 - Address demand for public/private goods not provided
 - Accessing both tangible and intangible resources that are vital to implementing these new business frameworks
- **Opportunities for MNEs to address developing markets with innovations that would be less successful without partnerships**
- **NGO contributions to serving developing country markets along a firm's value chain:**



*Developing
Country
Consumer*

NGO and firm contributions to market research in developing markets

- NGOs are in touch with social trends, acutely aware of the economic and social needs of the populations/Can identify potential markets and potential products in developing countries.
 - Ashoka/FEC discovered that 35 million smallholder farmers in Latin America who live on less than \$2 a day could increase incomes with adequately irrigated land
 - Only 12% of land was irrigated and control of water rights is often in the hands of a few wealthy landholders; Ashoka/FEC brokered a commercial relationship



NGO and firm contributions to product R&D for developing Markets

- Range from consultation to "co-creation"
- Cemex's Patrimonio Hoy program
 - Developed a package of products and services that reduced self-construction construction time by 60%, reduced costs by 35%, and facilitated the timely supply of materials; Collaboration has benefited more than 200,000 families
- Grameen Bank
 - Conducted market research/ R&D that led to rise of microcredit industry



NGO and firm contributions to **procurement and production** for developing markets

- NGOs can help with procurement, particularly for low-cost labor, by identifying and developing the local labor pool through training.
- NGOs often can source, develop, and manage local labor better than the foreign partner firm.
- Danone in Africa partnered with NGOs and governments in setting up programs to improve working conditions and promote sustainable farming.



<http://online.wsj.com/article/SB10001424052748703615104575328943452892722.html#articleTabs%3Dvideo>

NGO Contribution to **Marketing** for Developing Markets

- NGOs have recognized expertise in social issue/public legitimacy to address it; impact of the firm's marketing message enhanced by endorsement by NGO.
- Population Services International (PSI) engaged in commercial customer education and marketing techniques tailored to developing country markets/provided P&G with fundamental expertise in how water was viewed, used, and distributed in developing countries for marketing PUR filter



NGO contribution to **distribution** for developing markets

- NGOs have knowledge of and access to local networks and existing local distribution systems, and have trust with various local stakeholders.
- Doctors Without Borders has an extensive on-the-ground network in developing countries which is beneficial to pharmaceutical companies in distributing medications in those countries.



NGO contributions in cross-sector alliances addressing developing markets

Business activities	NGO Contributions	Benefit(s) to Business Model	Example(s)
Market research	Knowledge of local environment and market	Generation of novel business model	Ashoka/FEC project to provide irrigation to small farmers in
R&D	Innovative ideas; market testing; feedback	Generation of novel business model; value creation; cost minimization	MasterCard-ADEMI-Banco Popular Dominicano's micro-credit scheme; Cemex's Patrimonio Hoy program; Microsoft Corp and OLPC
Procurement + Production	Access to local networks and supply chains; established relations with local communities and host-country governments	Value creation; value delivery; cost minimization	AtoZ Mosquito net co-venture in ; Nestlé's cocoa farming initiatives
Marketing	Co-branding; customer education	Value creation	Microsoft Corp and OLPC; P&G and the Safe Drinking Water
Distribution	Access to local networks and supply chains; may take on the provision of some services itself	Value creation; value delivery; cost minimization	Doctors Without Borders; Cemex; HSBC Amah and Islamic Development Relief

NGO contribution to development of new business models

- Global Health Initiative: UN, World Economic Forum, firms, academics, NGOs, and developed/ developing nation governments.
- Distribution of mosquito nets in Africa
 - AtoZ factory's African workers and Chinese engineers produce mosquito nets using resin for the yarn supplied by ExxonMobil and Japan's Sumitomo's long-life insecticide.
 - World Health Organization purchases and distributes the produced mosquito nets in African, using funds raised by the international community.

GLOBAL NETWORK
NEGLECTED TROPICAL DISEASES





GLOBAL MALARIA PROGRAMME
INSECTICIDE-TREATED MOSQUITO NETS:
a WHO Position Statement
World Health Organization

Recommendations for innovative business models in developing countries

- **Four Strategic Imperatives for Successful Cross-Sectoral Alliances**



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            graph TD
            A[Resources and Skills] -- Innovative combinations --> B[Firm - NGO collaboration]
            C[Local conditions] -- Understanding --> B
            D[Organizational Culture] -- Fit --> B
            E[Local infrastructures and SMEs] -- Support --> B
            
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