



NGOS AND THE PRIVATE SECTOR

Introduction

The rapidly changing environment is having major implications for the role of NGOs, their sources of funding, the nature of their relationships and their activities. Globalisation, the increasingly multinational nature of business and electronic communication, has led to a parallel reduction in the powers of the nation state to affect development and a rise in the powers of the business community. Multinational corporations account for over one quarter of the world's GNP and with such massive resources at their disposal there is increasing recognition that with global influence comes global responsibility. **The welfare state is giving way to business welfare.** NGOs need to engage with the Private Sector in new ways, yet the dynamics of relationships between NGOs and the Private Sector have been very little researched, until recently.

INTRAC has conducted a research project that examines the changing nature of relationships between NGOs and the Private Sector as they grapple with possible new modes of engagement in their quest to have a positive impact on justice, peace and sustainable development. By learning the lessons of past and present engagements, this two year research project - mainly funded by the Ford and Soros Foundations - explored the potential for the two sectors to work together for global development in the future.

This Policy Briefing Paper explores how NGOs and the Private Sector can build 'win-win' partnerships, based on INTRAC's research.

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Building Relationships

In order to help both NGOs and the Private Sector in their dealings with each other, the research systematised the benefits and drawbacks of NGO-Private Sector engagements and analysed the engagement processes of advocacy and direct action in areas such as corporate citizenship, codes of conduct, sustainability and human rights. The research also drew out lessons of engagement and suggested possibilities for future engagements between the two sectors.

To Hate, for Love or for Money?

Most interactions between NGOs and the Private Sector have historically been at two ends of the spectrum of engagement: **FOR MONEY** for NGO projects, or **TO HATE** as both sectors see each other as having mutually incompatible goals. **Both tendencies will, and should, continue**, but increasingly the two sectors are looking beyond funding and fighting, keen **FOR LOVE**, to explore the sharing of expertise, resources and agendas.

There are, however, negative stereotypical perceptions which run very deep on both sides which lead to mutual suspicion and resistance to change. NGOs often see themselves as the poor relation in Private Sector partnerships, with the majority of benefits going to companies. In their turn, companies see NGOs as idealistic and undisciplined by the reality of the market place.

NGO-Private Sector relations are like a game of chess: while there are only a few pieces to move, there are an almost infinite variety of ways to play the game.

For NGOs already engaged with the Private Sector, what do they hope to achieve? If some companies can be accused of engaging with NGOs for public relations, are NGOs equally using partnership as a competitive tool to raise their profile amongst donors and supporters? Where do NGOs' mission principles figure in all this? Few NGOs have a united position within their

organisation regarding businesses, except those pursuing a solely antagonistic route. Indeed, there are heated debates within NGOs: directors, trustees, supporters and staff can divide into separate camps. Thus creative leadership of NGO is required as some stakeholders seek more corporate engagement and others act as a brake on potential partnerships.

NGOs rely on the trust of the public. Whilst integrity is at the core of all organisations, public trust of NGOs is higher than companies. Trust is becoming a fundamental driver for partnerships between NGOs and the Private Sector, but there are serious implications for NGOs if a corporate relationship turns sour. Thus NGOs should not be endorsing companies, but engaging with them critically.

That a company exists merely to maximise shareholders' profits is no longer a valid proposition. A company's impact on its stakeholders is an emerging benchmark of corporate performance since stakeholders are beginning to ask what companies can do for society, not what society can do for companies. Business investors are increasingly interested in the risk factors associated with reputation. An enhanced public image through association with an NGO can increase corporate brand reputation. Yet the reputation of NGOs as effective, tenacious campaigners can also cause business to fear what they might do to their image and sales. So the initial instincts of businesses to fight back against campaigning NGOs are tending to give way to more consultation and collaboration.

The Five 'I's of Private Sector-NGO Stakeholder Engagement

Advocacy relationships often move through the following stages:

- **Indifference and Invisibility** a dysfunctional process which provokes action from NGOs
- **Input but Ignore** a quantitative policy of including NGOs
- **Input and Initiate** a qualitative process acting with NGOs
- **Involve** a systematic policy of getting NGOs' views
- **Include and Integrate** a symbiotic participatory process of NGOs in partnership

Four Phases of Private Sector-NGO Engagement

Funding relationships might move through the following four phases:

Phase 1 Corporate Philanthropy on an *ad hoc* basis without complicated negotiations or clear commitments on either side, and without any discussion over deeper agendas.

Phase 2 Strategic Contributions: larger donations are made to fewer, selected NGOs. This raises issues of whether a particular NGO is 'comfortable', even fashionable, in the eyes of the private sector. Should an NGO's reputation be its unique selling point?

Phase 3 Mainstream Involvement: involvement with business is linked to more immediate operational concerns. In addition to external benefits, attention is focused internally to enhance staff morale and competence, to attract new membership and reassure existing members and to build stable relationships with end-users.

Phase 4 NGO Accountability: a full, open and long-term engagement with all stakeholders having an interest in its advocacy and fieldwork; for example, particular communities, staff, public agencies and current and future generations.

In the past, the above four phases to NGO-private sector engagement were carried out in order over time, but this is no longer the case. Today NGOs do not need corporate donations to get a partnership going. With NGOs and the private sector engaging each other around company codes of conduct aimed at the corporate accountability and transparency along the supply chain, some NGOs and companies are starting at relationships based on words not money.

Partnership Challenges

From an NGO Perspective

There is always a risk of co-option, that by working with a company, you ally yourself with those with power, at the cost of those without.

Different time scales. Companies commit significant human resources to projects and operate by problem/decision/action.

Businesses challenge NGOs to become more professional. Setting targets introduces greater rigour to NGO work.

NGOs may have to be brave enough to face the scepticism and criticisms of colleagues.

Media profile drops as NGOs move from public campaigning to secret negotiations behind closed doors. This also reduces opportunities for sensitising supporters.

NGOs risk becoming uninspired technocratic consultants and monitoring experts.

Engagement may expose NGO ignorance or ineffectiveness on subjects and with constituents they claim to represent.

From a Business Perspective

There is a risk of losing focus. Where a business is not profitable there will be no chance to undertake projects. NGOs may not understand this.

NGOs work slowly, with few staff committed to projects and taking time for participatory consultation and consensus building.

NGOs often bring a very unstructured approach, which challenges corporates to 'let go' of standard procedures.

Companies risk criticism by host governments who see NGOs as trouble makers.

In starting a project, a company is admitting publicly that there is a problem, which is dangerous because it is easy for journalists to do negative pieces on admitted problems.

NGOs still see business as 'the enemy', providing an obstacle to trust and respect.

NGOs are not clear about either development economics or the economics of business.

Partnerships with the Private Sector: Issues and Top Tips for NGOs

- Clarify your mandate for this work: **who do you represent?** How will engaging companies help your mission? Do you need to establish an ethical code of who you work with and who you will not, and who will decide?
- NGOs need to define clearly to businesses why they need NGOs: what is your **Unique Selling Point** compared to other kinds of partners they might be considering? Do not underestimate corporate ignorance about NGOs.
- Make your approaches to the private sector clear and brief. Let them know exactly what you want them to do, rather than focusing on all the complexities of the problem; articulate arguments for development in terms of economic consequences of underdevelopment.
- Develop a carrot-and-stick strategy (a stick-and-carrot works even better), so that you are highlighting a problem for the company as well as a solution. NGOs have got quite good at generating anxiety about social and environmental problems through the media; less good at using the media to communicate positive solutions.
- Build Southern partner's capacity so that you can engage a company at local and HQ levels simultaneously.
- Consider allocating a lot more resources to this area of work. This must include recognition of the enormous time cost of building strong partnerships. Recruit more staff with direct experience and understanding of business issues. Incorporate this work within the mainstream work of the NGO.
- NGOs will be held to account by supporters, government and private sector. NGOs must be able to match the ethical and professional standards that they demand of companies. Work transparently, and in partnership with other NGOs.
- Does having a corporate partnership mean success in itself or is impact on the ground the ultimate measure of success? Measure the results of partnerships with business in ways other than just 'how much money did we get out of them?' Aim to have **a sustained impact on the whole corporation**: these are huge organisations and a minor change in their practice can have a significant impact on the ground.
- Unless both partners have something to give and something to gain, the partnership will fail.

Resources

Magazines

- **Alliance: Building Resources for the Community Worldwide.** Quarterly; £70 subscription; <crhartnell@aol.com>.
- **Corporate Citizen: the Journal of Company Involvement in the Community.** Three times a year; £30 subscription; <corpcit@benjam.demon.co.uk>.
- **Corporate Watch.** Twice a year; £5 per issue; <mail@corporatwatch.org>.
- **Ethical Consumer,** for what to buy and who to boycott. Bi-monthly; £17 subscription; <ethicon@mcr1.poptel.org.uk>.
- **Forum Briefing,** The Prince of Wales Business Leaders Forum newsletter. Quarterly; Free; <info@pwblf.org.uk>.
- **Greenpeace Business** covers environmental issues from GM food to PVC toxin campaigns. Bi-monthly; £90 subscription; <john.sauven@uk.greenpeace.org>.
- **Worldaware Business.** Bi-monthly, three times a year; Free; <info@worldaware.org.uk>.

Books

- **Simon Heap (1998), NGOs and the Private Sector: Potential for Partnerships?** Occasional Paper Series no. 27. INTRAC. Also in Russian. A mapping exercise which outlines and analyses the newly emerging relationships between NGOs and companies; £9.54; <intrac@gn.apc.org>.
- **Simon Heap (March 2000), NGOs and the Private Sector: Moving Beyond Funding.** INTRAC. With case studies from around the world, the book illustrates the benefits and drawbacks of engaging, analyses the engagement processes of advocacy and direct action over codes of conduct, environmental management and human rights, and collates lessons; £13.95; <intrac@gn.apc.org>.
- **Greener Management International, issue 24 (1998): special issue on Business-NGO Relations and Sustainable Development.** £25.00; <gleaf.info@easynet.co.uk>.
- **David F. Murphy and Jem Bendell (1997), In the Company of Partners: Business, Environmental Groups Post-Rio.** Bristol: Policy Press. £15.95; <gleaf.info@easynet.co.uk>.
- **Shirley Buzzard (1999), Partnerships with Business: A Practical Guide for Nonprofit Organizations.** Washington DC: CorCom; \$30; <sbuzzard@prodigy.net>.
- **Jane Nelson (1996), Business as Partners in Development: Creating Wealth for Countries, Companies and Communities.** London: The Prince of Wales Business Leaders Forum (PWBLF). £15.00; <info@pwblf.org.uk>.
- **Ros Tennyson (1998), Managing Partnerships: Tools for Mobilising the Public Sector, Business and Civil Society as Partners in Development.** London: PWBLF. £15.00; <info@pwblf.org.uk>.

Internet

- <www.bond.org.uk/futures/psreports> **The British Overseas NGOs for Development Network (BOND)** held a 'Partnership with the Private Sector' one-day workshop in June 1999 for 60 directors and staff of BOND member organisations. Several very instructive case studies laid out the motives, the perceptions, the opportunities, the compromises, the difficulties, the sweat and the rewards of NGO-Private Sector engagements.
- <business-ngo-relations@mailbase.ac.uk> is an internet discussion list with 200 members, set up in response to growing interest from researchers of, and practitioners in, the emerging, diverse relations between companies and civil society (including NGOs, campaigners, ethical investors and consumers).
- <www.corcom.org> **CorCom (Corporate Community Investment Service)** is an American organisation which creates links between business and NGOs. Download free publications.
- <www.eti.org.uk/welcome/> **The Ethical Trading Initiative (ETI)** is an alliance of NGOs, trades unions and businesses, working together to promote good practice in implementation, and monitoring and verification, of codes of labour practice.
- <www.worldbank.org/bpd/> **World Bank's Business Partners for Development (BPD)** is a global network of businesses, government ministries and NGOs, with the World Bank as an equal partner. By focusing on several dozen projects around the world, BPD aims to produce evidence of the positive impact of tri-sector partnerships in terms of both economics and community development.

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