

BUSINESS-NGO COLLABORATION FOR SUSTAINABILITY: REASONS AND OUTCOMES

Tuba Bozaykut Bük

Dr., Istanbul Medipol University, TURKEY, tbozaykut@medipol.edu.tr

Abstract

The global sustainability movement have changed the traditional definitions of corporate sustainability and corporate success. In the current business environment, it is not adequate to define and measure corporate success only in terms of financial criteria. Besides their profit seeking operations, corporations are required to meet increased shareholder expectations in finding solutions to social and ecological problems. Ethical corporate governance, responsible production systems and equal opportunities are set as main targets for sustainable progress. Similarly, studies provide evidence that companies with sustainability strategies and systems perform better in financial performance, shareholder value and investment opportunities. Furthermore, economic, ecological and social dimensions of corporate sustainability management require a combination of a wide range of external party resources, knowledge and skills. Within this perspective, NGOs become one of the strongest partners for corporations in integrating sustainability to business strategy. Thereby, this study focuses on the previous corporate sustainability literature for understanding business-NGO collaboration motivations and expected outcomes. The literature presents that corporations interact more with NGOs for their special expertise, knowledge and resources in order to follow global sustainability developments and meet varied stakeholder expectations. NGOs also function as critical partners for product innovation or new market entry by providing social and legal inputs when the customer or the market is not familiar to the corporation. Concordantly, the expected outcomes from NGO interactions are to promote legitimacy for operations, develop a responsible company image, integrate sustainability into strategy and attract qualified human resources to the company. Following this theoretical background, some research questions are developed to be answered in the forthcoming phase of the study.

Keywords: Corporate sustainability management, non-governmental organizations, the Stakeholder theory

1 INTRODUCTION

The shareholder expectations directed to current businesses have faced a significant transformation since the introduction of “sustainable development” concept at United Nations’ 1972 Stockholm Conference. From 1972 to the determination of 17 Sustainable Development Goals in 2015, a consensus is developed on governmental actions and collaborations to leave a better world to the forthcoming generations. The efforts are concentrated on meeting current generation needs without risking the forthcoming generations’ resources. Besides the emphasis on the careful use and allocation of natural resources, fighting with poverty

and hunger are determined as the first goals to be accomplished by nations.

The call of United Nations for sustainable development also comprises corporations and attracts the attention to corporate practices regarding ethical, social and ecological problems. In this scope, the criteria for corporate performance covers not only financial success but also governance, social and ecological achievements (Dyllick and Hockerts, 2002). Consequently, the financial success becomes closely related with the social performance of the company. Also, empirical studies prove that companies have to reframe their ecological, social and ethical practices for a solid financial performance. For instance, the recent studies by Eccles et al. (2014; 2019) show evidence that companies having organizational processes for environmental, social, and governance (ESG) issues have a better performance and ESG issues become top concerns for 70 interviewed executives working at global institutional investing firms. Concordantly, the expectations related with ESG issues are also closely related with the social and economic development of the society and these expectations lead corporations to search for resources, skills and networks for areas outside their core business (Kuenkel and Aitken, 2015). Particularly, the complexity of the sustainability issues can require more resources than one organization can have (Idemudia, 2009). Thereby, businesses and non-governmental organizations (NGOs) has started building partnerships more often than ever for a sustainable society (Overdevest, 2004). Parallel to this context, the current study tries to examine the business-NGO collaboration within the corporate sustainability management framework. The reasons and expected outcomes for businesses to collaborate with NGOs are discussed in the following section.

2 REASONS AND OUTCOMES OF BUSINESS-NGO COLLABORATION

2.1 Reasons to Collaborate with NGOs

1. Responding to Global Corporate Sustainability Developments and Frameworks

It is not possible for current businesses to disregard global sustainability developments together with frameworks and standards set as control mechanisms. For instance, International Organization for Standardization (ISO) set standards for quality or environmental management systems. To acquire ISO certificates becomes a necessity for corporations to express their sustainability-focused business mentality. Participating to Carbon Disclosure Project (CDP) or preparing sustainability reports based on the framework drawn by Global Reporting Initiative (GRI) are other responses to the global sustainability movement. Therefore, NGOs become one of the main actors in determining “the dos and don’ts in the sustainability arena” (Christensen et al., 2017, p. 241) and in forming codes of conducts for responsible business practices (Perez-Aleman and Sandilands, 2008). Consequently, corporations interact more with NGOs to follow global sustainability standards and to ensure qualified and ethical business practices.

2. Meeting stakeholder expectations related with ESG issues

Following the global sustainability developments becomes one of the measures for the organizational sustainability (Garvare and Johansson, 2010). The main reason is that economic, ecological and social dimensions of the sustainability create a varied group of stakeholders, and hence, current organizations design organizational processes to understand and meet diverse demands of stakeholders. In line with this, many studies on corporate sustainability management have based their theoretical framework on stakeholder theory because the theory suggests that satisfying stakeholders is the most critical dimension for organizational survival and competitive advantage (Freeman and Reed, 1983).

In their efforts to meet stakeholder expectations related with ESG issues, businesses increasingly interact with NGOs. The most critical reason for companies for interaction is to have access to skills and resources that are not core to the company but specific to the NGO (Gray and Stites, 2013). For instance, companies develop collaboration with industrial NGOs for acquiring knowledge and resources related with the basic business area and corporate governance. Memberships to industrial boards and chambers or acquiring sectoral certificates (related with quality, environmental management or occupational safety) can be examples for that kind of collaboration for ensuring a qualified governance. Besides governance and strategic-oriented interactions, there are philanthropic collaboration to satisfy the stakeholders’ expectations related with societal problems. This can be best reflected in the ‘corporate citizenship paradox’ (Marsden, 2000). According to the corporate citizenship paradox, much of social and ecological problems are caused by large business operations, but on the other side of the coin, large companies are also one of the strongest allies in the fight against these problems. Thereby, NGOs depend on corporations for financial support whereas corporations depend on NGOs’ expertise and resources in solving these problems. Forming a partnership with a foundation that works for social development of disadvantaged children can be an example as the partnership includes resource exchange for both parties. For the corporation, the foundation

has the database and access to the disadvantaged children whereas the corporation provides the financial support the foundation seeks for its' activities. Partnering with Environment Protection Foundation for planting tree can be another example for collaboration for ecology and again includes the motivation for knowledge and resource transfer.

3. New market creation and product innovation

Sustainability can also be regarded as a strategic tool for creating competitive advantage through generating new market opportunities (Hockerts, 2015). In line with this marketing-oriented approach, sustainability refers to forming products that can answer the needs of the base-of the pyramid (BoP) populations (Prahalad, 2012), and in return new profits are generated from the low-incomed markets. In their call to answer BoP needs, businesses collaborate with NGOs to understand BoP daily routines and lifestyles (Monzer et al., 2018). For instance, multinational corporations can redesign their products or create new services for BoP and penetrate new markets by interacting with local NGOs (Desa and Koch, 2014). Moreover, besides strategic intentions such as generating new markets, businesses can also collaborate with NGOs for alleviating social and economic conditions of BoP populations as an answer to the expectations related with social problems. Businesses can support NGOs that work for BoP by providing financial support and designing common projects (Kourula and Halme, 2008; Prahalad, 2012). This support can be in terms of being a member, giving donations, becoming a sponsor, designing common projects and taking consultation for employee volunteerism (Kourula and Halme, 2008; Prahalad, 2012). For instance, developing a common project with an NGO that focuses on educating BoP populations in terms of childcare or supporting this NGO financially by providing scholarships can be examples for this kind of collaboration.

2.2 Expected Outcomes for Businesses

1. Enhancing legitimacy for the ongoing business operations

Besides profit focused mindset, the need for legitimacy has been presented as anchor for explaining organizational responses to the environment by the institutional theory (DiMaggio and Powell, 1983). When lenses of the institutional theory are applied to corporate sustainability, all organizational systems designed for sustainability can be evaluated as means for legitimacy (Schaltegger and Hörisch, 2017). Therefore, through forming solutions to societal and ecological problems and by adopting sustainability standards, corporations strengthen their legitimacy for their ongoing business operations. As engaging in social projects attract more stakeholder attention, legitimacy for corporations also transform and start to cover social initiatives (Davis, 1973). For gaining public support for business operations, corporations increasingly engage more in collaborating with NGOs in solving social and ecological problems (Brønn and Vidaver-Cohen, 2009). More to that, interactions with a trusted NGO is proved to promote corporate legitimacy (Darko, 2014).

2. Developing and enhancing a responsible corporate image and reputation

Corporations' response level to global sustainability is also related with developing a responsible corporate image and reputation. As corporations interact more with NGOs on sustainability issues, their "sustainability reputation" increases (Gray and Stites, 2013, p.49). A favorable sustainability reputation can also lead to other outcomes such as increased brand equity, shareholder value and increased investor interest in the corporation. Developing a favorable sustainability reputation, to some studies, also have positive effects on the financial corporate performance (Lo and Sheu, 2007). For instance, a study by Cheng et al. (2014) show empirical evidence that investors are more willing to invest if ESG indicators are highly related to the company strategy.

2. Integrating sustainability into strategy

For competitive superiority, corporations have to evaluate ESG indicators as goals to be placed in business strategies (Porter et al., 2011). In terms of governance, trade chambers or accreditation initiatives can be effective partners for increasing the quality of operations and governance. Moreover, in terms of growth strategies, collaborations with NGOs can also support corporations to learn social, economic and legal frameworks especially if the market is unfamiliar to the corporation.

3. Attracting a more qualified human resource

Besides attracting investors, corporate sustainability profile can also be regarded as criteria for both current employees and future candidates. More to that, global sustainability standards aim to create better working conditions for employees. Adopting code of conduct and forming ethical committees are means for protecting employee rights. The gender equality becomes one of the main issues for global sustainability and thereby

companies report their human resource policies to show that they avoid gender-biased promotions and wages together with mistreatment of minorities (Gereffi et al., 2013).

Within the framework of this theoretical background, the following research questions are developed to be answered in the further phases of the study:

RQ1: What are the main reasons for Turkish companies to collaborate with NGOs for sustainable development?

RQ2: What are the expected outcomes for Turkish companies to collaborate with NGOs in the collaborations developed for sustainable development?

3 CONCLUSION AND FURTHER IMPLICATIONS

The corporate sustainability approach propose that profitability can only be increased only through by taking responsibility for social and ecological problems. The multi-dimensional structure of corporate sustainability concept requires a complex set of resources, capabilities and thereby interactions. In line with this, corporations increasingly communicate with NGOs and the quality of the interactions between two parties can help to transfer knowledge, ability and resource for a more sustainable society.

In line with the theoretical literature discussed, this study will continue by trying to answer research questions developed in the previous section. Therefore, contributions to corporate sustainability literature can be made by examining reasons and the expected outcomes of business-NGO collaboration within a developing country context, i.e. Turkey. For methodology, top managers of companies listed in Borsa Istanbul Sustainability Index are to be interviewed as these companies have favorable sustainable performance and are evaluated in terms of their sustainability practices to be listed in the index. Finally, top managers' evaluations can shed light to understand the dynamics of business-NGO interactions in a developing country context.

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