Force Multiplier

Stakeholder networking has undergone a dramatic transformation — what might it mean to your organization?

By Richard MacLean

"As the invention of the printing press in the 15th century gave momentum to the Reformation, the Internet is fueling another reformation in civil society." This quote by a senior social activist summarizes how non-governmental organizations (NGOs) view the significance of Internet-based communication networks.[1] It is an incredibly efficient (and inexpensive) way for NGOs to mobilize support for a cause. This month the Manager's Notebook *examines the evolution of NGO networks and their business implications.*

In 1999, when former Vice President Al Gore stated during an interview on a CNN television program that he "took the initiative in creating the Internet," neither political party had any idea of the significance his invention would have on American politics. It took the events preceding the 2004 presidential election for the power of the Internet to really sink in. The early support for the Howard Dean presidential campaign and the influence of the Web sites of the political activist groups MoveOn.org and the Swift Boat Veterans for Truth are the most obvious examples of where hot electrons and politics (a.k.a. hot air) merged.

Today, no serious politician would consider running for a major office without having a well-integrated media, networking, and constituency strategy that included the Internet. In retrospect, it seems odd that the handlers for these politicians did not figure this out early on. The Internet is all about quickly distributing and sharing information — getting out the vote, as it were. Indeed, networking was the original intent of Al Gore and his Internet co-inventers.

From a technology standpoint the "net" works extremely well today. The key question is how well can users leverage its considerable power to their advantage? And more specifically to the subject of this article, how well have the NGOs versus business leveraged the

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Internet? To answer this question, one must examine the underlying dynamics, specifically: (1) the number of world-wide users, (2) the cost of the technology, (3) the availability of alternatives, and (4) the time "to market" (i.e., how quickly organizations take advantage of the technology).

In the late 1980s, there were relatively few Internet users; it was expensive and

novel so people picked up the phone, used snail mail, sent faxes, or met in person. Governments and corporations have had the luxury of budgets that could pay for travel, telephone calls, and printed material. Industry trade associations such as the Conference Board and the National Association of Manufacturers have been used by corporations for decades as a primary means of networking. Even in an age of budget restrictions, face-to-face personal relationships and formal meetings still seem to dominate networking among companies. Formality has its advantages (and Sherman Antitrust

Act-inspired necessities), but it also can bring an aversion to risk, a slowing of the process, and a response centered on the lowest common denominator.

Contrast this with the NGO world. With relatively few resources, NGOs have quickly jumped on the Internet to communicate amongst themselves and join forces. "Necessity is the mother of invention" and, probably since Plato first

spoke these words, NGOs have been hoping for a communications' technology that is both powerful and affordable. With the recent upsurge of global Internet usage, the leverage factor has grown exponentially. Today, NGOs appear to be more creative in using this technology to support their agendas than governments and businesses have been.[2] Indeed, in today's electronic world, corporate networking methods appear antiquated and NGOs may be out front on "time to market."

The Evolution of NGO Networking

NGOs use the Internet for advocacy, awareness building, consultancy, identifying resources, impact analysis, knowledge creation, and so on.[3] They pride themselves on their well-maintained Web sites. NGOs, in particular, are adept at linking people worldwide using Internet-based campaigns. For example, in 1997 to 1998, an Internet-based coalition of NGOs, consumer groups, and trade unions from 67 countries rallied together to defeat the Multilateral Agreement on Investment (MAI), an agreement strongly supported by multinationals and industrialized countries.[4] The NGOs were opposed to the secrecy of the MAI negotiation and the lack of environmental safeguards (as well as many other shortcomings). The draft of the MAI text was posted on the Web site by an NGO, which allowed hundreds of NGOs to mobilize against it.

Another example of online coalition building involved the events surrounding the 1999 World Trade Organization (WTO) conference in Seattle. Michael Bond, writing in *Prospect Magazine*, summarized the significance of the Internet succinctly, "the demonstrations in Seattle showed that NGOs can link up across the world without moving from their desk."[5] For example, about 1,500 NGOs signed an anti-WTO protest declaration set up online by Public Citizen, a consumer-rights group. A RAND study dubbed this amorphous group descending on a target as an "NGO swarm."[6]

A further effect of this communication revolution is the creation of new partnerships between well-established NGOs and those in developing areas. NGOs can attack the corporate community more effectively if they are armed with proof of illegal labor practices or environmental degradation in developing areas. This kind of information

sharing is possible only through the Internet as it is prohibitively expensive to share information or build links between different organizations using telephone, fax, or mail.

Another type of networking is coalition formation, which effectively channels energy and magnifies group effectiveness. For instance, from 1996 to 1998 the Aarhus Convention met to draft a treaty on the public's right to environmental information.[7] ECO-FORUM, an alliance of more than 200 European environmental organizations, enjoyed full negotiating power at this meeting. This was the first time in history that NGOs could sit side-by-side with governments during the drafting of an international treaty.

Implications for Business

So what does this all mean to businesses? I suppose one could take the narrow view that a company can now save some money by posting its "sustainability

report" on the Internet. Yes, posting information on the Web is inexpensive, but if the objective is public relations to keep away all these pesky NGOs, the company may be in for some rocky times.

Environmental, health and safety (EHS) as well as social responsibility professionals should begin educating their business management to the changing dynamics. The following is a summary of these NGO-driven dynamics according to research at the Center for Environmental Innovation.[8]

From the 1970s into the 1990s, government agencies set much of the agenda for corporate EHS and social responsibility obligations. Beginning in the mid 1990s, a subtle, but significant, shift began to take place. The rate of introduction of new regulations began to diminish and, more significantly, corporate infrastructures that were required to deal with government rules began to reach maturity. At the same time, standards and guidelines began to evolve, led forward by NGOs.

A Case Study in David Against Goliath — The Arizona Heritage Alliance vs. the Arizona State Legislators

Over the past decade, I have witnessed firsthand the power of NGO networking as a member of the board of directors for the Arizona Heritage Alliance. Back in the late 1980s, a small group on conservationists and preservationists recognized the need to raise funds to protect the state's phenomenal natural and historical resources. Their research revealed that the state lottery would be an ideal source of revenue from which to earmark a portion of the funds for these purposes. In 1990, the Arizona Heritage Fund Initiative was passed overwhelmingly by voters with provisions that up to $20 million dollars annually would go directly to the State Parks and Game & Fish agencies.

The operative word in the preceding paragraph is "directly." Yes, the initiative was set up such that the state legislators could not monkey with the money; it had to go to conservation and preservation activities that they did not control. There is nothing in the world that irritates politicians more than the inability to shift money around to their own pet projects such as corporate welfare for money-losing stadiums. Living large on someone else's money is what I call it — big money, over $100 million dollars in total revenues to date directed into the Heritage Fund.

As soon as the initiative passed, these wise people recognized that they would have to educate the public continually on the benefits of the Heritage Fund. The Arizona Heritage Alliance was formed as an NGO for just that purpose. I joined the board in 1992. It has been a wild ride ever since as the politicians at the state capitol have tried every maneuver imaginable to get their mitts on the money.

The Heritage Alliance is funded through charitable donations and has an annual operating budget about the same amount that some people of modest means keep in their checking account. So very small, but yet it has won 29 out of 30 battles when the "powers that be" start flexing their political muscle and attempted to raid the Heritage Fund. Ninety seven percent success rate! How? It is connected with the entire network of environmental, conservation, and preservation groups throughout the state. When we detect impending problems, the call to action goes out. The politicians soon recognized that the public would be less than pleased if the money was diverted to any other purpose than that originally intended by the voters. The force multiplier is impressive.

These new "de-facto regulations" impact corporations every bit as much as traditional government regulations. Their reach extends to products and services along the entire supply chain in a global marketplace, and it is beginning to influence the banking and investment community.

Navigating through this emerging landscape of standards, guidelines, green label requirements, and certifications has become a daunting task. The impact of these de-facto regulations can be indirect, yet profound. The fallout from a direct product boycott or a new plant construction or expansion delay due to a coordinated protest can be devastating. In the past, it was all about questions concerning the presumptive need for

issues driven by highly-networked NGOs. This situation requires a different form of governance.

Conclusions

The lowering of the cost of communication has made a huge difference for both national and international NGOs. Networking allows NGOs to learn from others, share knowledge, and voice concerns among colleagues. Networking brings people with similar interests together from around the world in order to work as one under a common platform faster and more effectively. The full significance and implications of the preceding statements are just now being widely recognized outside the NGO world.

be a deciding factor in these dynamics. For the savvy companies that master these Internet tools, it may be the advantage that puts them ahead of the competition. ⊞

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> ## An "NGO swarm" can have no central leadership or command structure; it is multi-headed, impossible to decapitate.

new laws and the interpretation of the regulations that followed. Today, it is about which of these organizations matter, who has influence over these dynamics, what are the key metrics, and what are the performance thresholds?

It is difficult for any government or corporation to deal with such groups. According to the previously cited RAND research, an "NGO swarm" can have no "central leadership or command structure; it is multi-headed, impossible to decapitate." It may be very small, but very powerful (see **A Case Study in David Against Goliath on page 14)**.

Companies will need to develop new approaches to working with these stakeholders; methods far more advanced than the NGO partnerships that are so common today. They certainly will have to respond much more quickly at speeds that may make some business executives very uncomfortable. Working the issues through a trade association may be too little and way too late. Not only should communication strategies be re-considered, but EHS and social responsibility audits need to be reconfigured to consider emerging issues. Audits are still synonymous with regulatory compliance in most companies. But this is not about government regulations; this is about

Businesses will be subjected to new forms of governance, audits, verification, and disclosure requirements. Companies that remain stuck in the regulatory paradigm of the past thirty years will face increasing pressure from sophisticated NGOs that know how to use the Internet effectively. Like the political campaigns that stumbled this year, they will have to react and play defense. How quickly organizations take advantage of the technology will

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