

MOVING TOWARD A “SUPERPOWER”

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Some, for example, are acting increasingly like government agencies, issuing a new generation of de facto regulations in the form of standards, guidelines, and certifications. Others are shifting to market-based approaches and cooperating with business in order to effect change.

Until recently, it has been governments that defined corporate responsibility, while companies tracked the environmental, health, safety, and social responsibility metrics dictated by those laws and regulations (MacLean and Nalinakumari 2004). Business executives responded to these issues narrowly, viewing them as a public relations or a regulatory compliance problem.

In the future, however, NGOs increasingly will define a new generation of metrics, certify the results, rank relative performance, and set the minimum thresholds for responsible corporate behavior. This will be a world where corporations can have either limited or significant influence, depending on their business strategies.

WHAT ARE NGOS?

Nongovernmental organizations track nearly every possible issue and operate from all parts of the world. They can be private agencies that support international development or indigenous or religious groups organized nationally or regionally. They can be citizen groups that raise awareness among the public and influence government policy. Probably their most significant characteristic is their strong grass-roots support.

Although private nongovernmental organizations existed in the nineteenth century (the World Alliance of YMCAs, founded in 1855, was the first international NGO), their numbers have grown rapidly in recent years. From 1,250 during the 1980s, they grew to more than 45,000 by the year 2000. The reasons range from the fall of Communism (which pushed the number of environmental NGOs from about 800

in 1992 to 3000 in 2001) to the communications revolution, which has enabled the experiences of one group to become a model for others.

NGOs are becoming players at the table of international negotiations. NGOs' influence on this score is best illustrated by the evolution of their interaction with the United Nations. Secretary-General Kofi Annan has predicted that NGOs will be the "new superpower" (Annan 2000). NGO speakers have addressed the United Nations General Assembly and presented testimony to the Security Council on various issues. Many United Nations bodies now consider alternate reports by NGOs along with official reports from governments.

The first significant step in this evolution was the Dumbarton Oaks Conference in 1944, which put forward a proposal for an inter-governmental organization that could coordinate and control, to some extent, the various nongovernmental organizations. This led to granting 41 NGOs consultative status in 1948. The number grew to 377 by 1968, and to 2,719 by 2005.

By the early 1980s, NGOs from both developing and industrialized nations had launched a coordinated effort to change the policies of international financial institutions like the World Bank. Fifty of the 222 projects approved by the World Bank's executive directors in financial year 1990 had NGO involvement, thirty more than in financial year 1988.

The watershed event in international negotiations was the UN Conference on Environment and Development (UNCED) held in Rio de Janeiro in 1992. Approximately 650 NGOs were in attendance, and at this conference they moved from a spectator gallery to a decision-making table where they could provide input and perspective. However, they still do not have policy decision-making authority (i.e., a vote) since this remains the responsibility of governments.

NGOs appear to be more proficient at leveraging Internet technology than governments or businesses are. NGOs use the Internet for advocacy, awareness building, consultancy, identifying resources, impact analysis, education, and so on. They are particularly adept at linking people worldwide. During the 1999 WTO conference in Seattle, about 1,500 NGOs signed an anti-WTO protest declaration set up online by Public Citizen, an advocacy group. This phenomenon of an amorphous group descending on a target is termed an "NGO swarm." An NGO swarm has "no central leadership or command structure; it is multi-headed and impossible to decapitate," write David Ronfeldt and John Arquilla (quoted in the *Economist* 1999).

NGOs AND BUSINESS

When it comes to the NGO-corporate relationship, we have witnessed a sea-change. In the past, NGOs only challenged the system; present-day NGOs often operate as part of the system via strategic alliances with businesses. Earlier NGOs generated funds by fueling public anger or guilt; some present-day NGOs promote fund-raising

by creating partnerships to promote sustainable development.

For example, the Nature Conservancy/Home Depot Partnership in Indonesia donated \$1 million to the Nature Conservancy to combat illegal logging and promote sustainable timber harvesting. The Conservation International/McDonald's Corporation Partnership was started in 2004 in the United States to integrate conservation into the purchasing operation of the world's largest food service retailer. In 1997, the World Wildlife Fund joined with Unilever to create the Marine Stewardship Council system for regulating fishing.

Because of the proliferation of NGOs and because of the complexities of business/NGO relationships, companies need to develop new approaches in dealing with NGOs. They are too important to dismiss. Business organizations will have to respond to NGOs, at speeds that may make some executives uncomfortable. "Working the issues" through a trade association may result in a response that is too little and too late. Like recent political campaigns that have been blindsided by the rise of "bloggers," companies will be forced to play defense endlessly if they do not change their approach in dealing with NGOs.

The environmental, health, safety, and social responsibility audits conducted by companies need to take into account the issues emerging with respect to NGOs. Environmental audits are still synonymous with regulatory compliance in most companies. But this is not about government regulation; this is about issues driven by highly networked organizations. This situation requires a different way of thinking beyond the regulatory and public relations mind-set that has dominated business thinking.

For businesses, the stakes are high. Business executives dread the thought of an "NGO swarm" attacking a brand, challenging a construction permit, or boycotting a product or service. Companies can succeed if they seek ways to overcome the image of NGOs as spoilers and gadflies and recognize that NGOs increasingly are willing to work with the system to bring about positive change. Ultimately, it is up to companies to take the initiative if they want better control of the outcome.

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