

GLOBALIZATION AND NGOs

Transforming Business,
Government, and Society

Edited by Jonathan P. Doh
and Hildy Teegen

Foreword by Jone L. Pearce

PRAEGER

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Foreword

Jone L. Pearce

Nongovernmental organizations (NGOs) are changing the way we all do business. For all but the smallest and most local of businesses, a new actor has appeared on the scene, one that is well organized, innovative, and powerful. *Nongovernmental organizations* is the term given to those nonprofit associations focused on social change via political influence, or to those providing social and humanitarian services in highly politicized cross-national contexts. Because these groups exist to press social changes, they had not been something that most businesses noticed or managed. Of course, all but the smallest businesses have attended to the governments in those settings where they operate; governments have sovereign coercive power and can tax, regulate, and even expropriate at will. The larger the business, the more likely it is to be important to its local government and so the more likely that business is to manage its governmental relationship—via governmental affairs departments, publicists, lobbyists, or by developing close personal relationships with important government officials. Businesses that had to worry about politics did so and developed sophisticated tools to manage those relationships.

All this changed about a decade ago. Suddenly businesses were attacked from a wholly unexpected quarter. Most prominently, Star-Kist found that the icon it had invested millions of dollars in creating and nurturing was flipped and used against it. Now their advertisements featuring Charlie Tuna were converted into a high-visibility advertising campaign against the use of nets that killed dolphins.

The company had little choice but to insist on dolphin-safe nets and to use its own formidable influence with government to press for legislation requiring dolphin-safe nets industrywide so that its competitors would not have a cost advantage over them. Now nationally and internationally known brands are not just marketing investments, they are potential political vulnerabilities.

But NGOs are not just a factor in the developed world. In developing countries, businesses that were used to managing governmental relationships personally now find that they have to contend with large and (comparatively) rich NGOs that can bring pressure to bear on their local governments via influence with donor-country governments that control substantial amounts of revenue coming into the country. Logging rights can no longer be secured over an amicable dinner at the club; now foreign NGOs are able to impinge on business dealings in ways that were unimaginable only a few years before.

So NGOs are formidable actors for many businesses, and they are also new and different for three reasons. First, many are international in scope. Traditionally, associations most often were built around existing social ties, and these were necessarily local. Even nationally based associations were often federations that were only as strong as the strength of their local chapters. And, of course, those intending social change would direct political influence to their local and national governmental policy makers. After all, the term NGO first came into common use with reference to associations seeking to exercise influence across national boundaries. Today's NGOs are a phenomenon of globalization, use information technology, and have the ability to organize internationally dispersed individuals with common interests to create an interest group with the size and resources to make a substantial impact. If one government is not congenial, they can work through other governments or businesses.

Second, the NGOs of today are developing creative, innovative tactics. In the rich developed countries, businesses are used to a political process permeated by interest groups of various kinds and descriptions. That NGOs would lobby their governments for stricter environmental laws and safety standards, for example, is an expected part of doing business in those countries. But the tactics of today are more sophisticated and more difficult to counter in the traditional ways. NGOs now understand the element of surprise in strategy, and are as able to hire MBAs who understand marketing and information technology as are businesses. Knowledge is notoriously mobile and no one can have a monopoly on knowledge for very long.

But as disconcerting as these fresh tactics are for businesses operating in societies used to open interest-group influence, imagine the

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shock to those who are used to a cozy cronyism. Now they find themselves the target of large politically sophisticated NGOs that can influence the direction of 10 or even 30 percent of the country's gross domestic product via relief donations and trade sanctions. This is a wholly different way of doing things, and their own tools—relationships and money—are swamped by deals done in other countries involving vastly more resources than they could hope to command. Few in these countries have any experience with interest-group politics, and NGOs are difficult to influence by these businesses' traditional means since they not only are often distant and well financed but also operate largely out of reach of the local secret police.

Third, NGOs used to be a phenomenon for governments alone. Amnesty International has operated for many decades. But NGOs now have discovered that they can achieve their purposes through businesses when governments are unwilling or unable to give them what they want. For example, many governments are unwilling, for deeply held ideological reasons, to interfere in certain business practices. If so, an alternative target is a large consumer-focused business that must be concerned with its public image. In other cases, some governments may be willing to enact legislation but are themselves too weak to ensure their local officials will reliably enforce their laws in the face of attractive (or frightful) local inducements. In these settings NGOs can induce publicity-sensitive purchasers in the developed world to establish codes of conduct and operate their own auditing systems that are not subject to the same local pressures. NGOs have discovered that in many cases businesses are important tools that can be more effectively harnessed for social change than governments are. And this puts businesses into the business of dealing with NGOs as adversaries, collaborators, and often both.

How did this happen? Where is it going? And how can it be managed? Just such questions are addressed in this book. It is among the first to explain and discuss the role and functioning of NGOs, with a focus on their direct and indirect effects on businesses. The developing scope and tactics of NGOs are a genuinely new phenomenon in business and we need this systematic and extensive analysis of them. In this book the authors discuss such practical questions as identifying the situations where businesses can expect NGOs to be influential, and the differing responses of businesses and governments to the growing influence of NGOs. Furthermore, they analyze what the rise of NGOs means for our existing theories of business strategy, public policy, and business-government relations. It is a timely, thoughtful treatment of a subject about which we know too little.