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Corporate-NGO partnerships in CSR activities: why and how?[*]

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Abstract: This article describes, analyzes, and explains the emergence of partnerships between corporations and non-governmental organizations (NGOs) and the ways in which corporations use such relationships as part of their corporate social responsibility (CSR) activities. Economics concepts and the management literature are reviewed, and illustrations are provided to describe such alliances and to explain their expansion. The findings show that firms engage in CSR for altruistic, defensive, and strategic reasons. The role of NGOs in these activities, as well as the related risks for both types of partners, is also explained and studied. NGOs are identified to have fundraising, stakeholder, and strategic functions in corporate-NGO partnerships. The findings also show that the main risks for NGOs, namely, a loss of credibility and legitimacy and their consequences, are related to the financial and existential dependency created by corporate-NGO partnerships.

Key Words: Business Sustainability; Corporate Social Responsibility; Cross-Sector Alliance; Firm Strategy; Non-Governmental Organizations; Sustainability Labels.

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1. Introduction

The United Nations Conference on the Environment and Development held in Rio de Janeiro in 1992, otherwise known as the Rio Earth Summit, declared that partnerships are key to sustainable development. Later, the 2002 World Summit on Sustainable Development in Johannesburg marked the crowning of corporate social responsibility (CSR). Indeed, the difference between Rio and Johannesburg is the participation of corporations: virtually absent at the first summit, they were ubiquitous at the second.

Generally, the period between the two summits was marked by the ascendance of multinational corporations (MNCs). Even if conceptual problems arise in comparisons between MNCs and countries because corporate revenue is not equivalent to GDP, a commonly quoted report noted that in 1999, 51 of the world's 100 largest economies were companies while 49 were countries (Anderson and Cavanagh, 2000). Prior to the 1980s, governments used public standards and laws to implement regulations on the social and environmental performance of MNCs. This approach is known as command and control. However, the subsequent globalization of exchanges, free market movement, privatization, and deregulation weakened policy makers' role, particularly at the national level (Googins and Rochlin, 2000; Selsky and Parker, 2005). The dominance of the state in regulating social and environmental performance began to erode, and state control shifted to corporate self-regulation in the 1980s and 1990s, with tools such as private standards, management systems, codes of conduct, best practices, certification and labeling, transparency guidelines, and sustainable reporting and monitoring.

According to GlobeScan's global public tracking in 2012, in the ten countries tracked over the past decade, only 38% of respondents believe that companies communicate honestly about their social and environmental performance.[1] Many argue that corporate self-regulation is essentially a public relations activity or a window dressing exercise to improve firms' reputation, without requiring firms to ever achieve the goal of being sustainably responsible. Utting (2001) claims that this concern has led to a shift in the balance of social forces and to a new approach: co-regulation and multi-stakeholder initiatives. The co-regulation method involves civil regulation, in which non-governmental organizations (NGOs) play a key role (Murphy and Bendell, 1999). This paper shows that the desire to counterbalance the negative reputational impact of self-regulation instruments is a driver of companies' involvement in partnerships with NGOs. In this sense, NGOs' activities in corporate-NGO partnerships appear to result from regulatory failures.

This paper uses Martens' (2002) definition for NGOs: "NGOs are formal (professionalized) independent societal organizations whose primary aim is to promote common goals at the national or the international level". This definition includes a large variety of NGOs; thus, in this paper, the analyses focus on what Arenas et al. (2009) call "social purpose NGOs", such as environmental groups, human rights organizations, and organizations that fight against poverty and under-development.[2] The number of NGOs, such as Amnesty International, CARE, Greenpeace, Oxfam, Save the Children, and the World Wildlife Fund (WWF), has rapidly increased in the last thirty years, rising from 13,633 NGOs in 1983 to 58,588 NGOs in 2013 (source: Union of International Associations website). NGOs also are becoming more international, and they are developing new strategies for collaborating with companies (Kourula and Laasonen, 2010). Furthermore, consumers/citizens consistently considered NGOs to be trustworthy and reliable. The GlobeScan "Trust in Institutions" surveys covering 12 countries show that NGOs have consistently ranked highest in trust among institutions including the United Nations, religious groups, large local companies, national governments, press and media, and global companies since 2001.[3] Thus, these two very different types of organizations, MNCs and NGOs, are playing an increasingly important role together in providing public goods - the former because they have resources, global reach, and levers of action and the latter because they have knowledge, expertise, and legitimacy.

The examples of corporate-NGO partnerships are numerous: the Coca-Cola Company's partnership with WWF to help protect the world's seven most important fresh water river basins, Chiquita Brand's partnership with the Rainforest Alliance to grow bananas in a more environmentally friendly manner, McDonald's partnership with the Environmental Defense Fund to reduce the environmental impact of its packaging. According to the C&E Corporate-NGO Partnerships Barometer 2013, 84% of companies and 96% of NGOs expect corporate-NGO partnerships to become more important for their organizations over the next three years (C&E, 2013). Furthermore, more than one-third of MNCs have voluntary third-party certifications for environmental or social standards (Kitzmueller and Shimshack, 2012). According to the 2010 Global Ecolabel Monitor, most eco-labels (58%) were run by non-profit organizations, 18%, by for-profit organizations, and 8%, by governments, with other types (industry associations, hybrid for/non-profit partnerships, public-private partnerships) composing the rest (Big Room Inc. and World Resources Institute, 2010). Moreover, about 92% of labeling programs required certification before they award an eco-label, whereas others require registration but no previous certification. Of those requiring certification, the majority (64%) were third-party certification systems. In this context, NGOs as standard setters or certifying agencies are the preferred partners of firms in many fields, including sustainable agriculture, fishing, packaging, supply chain management, labor issues, renewable energy, forest resources, health, and safety. Not long ago, NGOs only interacted with firms to boycott them, and firms thought that NGO was a four-letter word. While there continues to be a broad spectrum of interaction between NGOs and corporations, from traditional consumer campaigns to an era of strategic partnerships, collaboration has become the norm (Kourula and Laasonen, 2010). By proactively engaging in collaborative relationships with NGOs, firms reduce the risk of costly confrontations and reap the benefits collaboration.

Corporate-NGO partnerships constitute one of the four possible types of cross-sector partnerships for addressing societal issues: business-nonprofit, business-government, government-nonprofit, and trisector partnerships (Selsky and Parker, 2005). The ways in which these partnerships are implemented are not well understood (Seitanidi and Crane, 2009). Moreover, firms' methods of implementing CSR are highly related to their motives for engaging in CSR. To develop successful business-NGO partnerships, understanding the worldviews, interests, and risks of each party is important. Therefore, this paper aims to describe and analyze why and how corporate-NGO partnerships are implemented.

As noted by Carroll (1994) and Garriga and Melé (2004), the CSR field is eclectic, presenting a proliferation of theories, approaches, and terminologies. Therefore, I have chosen to restrict the number of references by focusing on those that I have judged to be the most relevant to our topic. The originality of my approach is that the analysis of corporate-NGO partnerships is conducted from a double perspective in terms of concepts and literature: the economic perspective, on the one hand, and the management and business perspective, on the other. Cross-referencing the economics and management perspectives is useful for understanding the role of NGOs because these disciplines are complementary. More precisely, because industrial organization is the field of economics that addresses, among other things, firms' strategic behavior and market competition, this field appears to be an interesting framework from which to study firms' and NGOs' motives. Crifo and Forget (2014) review the economics of CSR from broader perspective by analyzing CSR as an answer to three types of market failures: public goods and externalities, imperfect competition, and incomplete contracts. Kitzmueller and Shimshack (2012) define CSR from an economic perspective and develop a comprehensive taxonomy that connects formerly disparate approaches to the subject.

In the management and business literature, the rise of civil regulation in CSR is supported by the popularity of several academic theories. One such theory is stakeholder theory, which emphasizes the need for companies to be responsive to broader range of stakeholders. Moreover, theories of risk management and organizational learning stress the importance of multi-stakeholder dialogue and NGO-business partnerships as ways through which firms can acquire knowledge. According to recent reviews of the CSR literature, NGOs appear to be potentially significant stakeholders. Further, a growing part of the business and management literature analyzes business-NGO partnerships and their role in affecting CSR, although dyadic antagonism and the pressure response model appear to be the most analyzed issues (see the reviews of Kourula and Laasonen (2010) and Laasonen et al. (2012)). In this paper, the management literature facilitates an investigation of the ways in which corporate-NGO partnerships are implemented.

This article proceeds as follows: Section 2 focuses on corporations' motives for engaging CSR activities and partnerships with NGOs. Section 3 analyzes the reasons for the increasing presence of NGOs in business and their different forms of involvement. Section 4 studies partnership strategies. Finally, section 5 concludes.

2. Drivers of companies' CSR activities

A company may engage in CSR activities for various reasons. Without entering into the debate, particularly the debate about altruistic or strategic CSR (Friedman, 1970; Lantos, 2001), I present various drivers of CSR activities for corporations based on the taxonomy of Lantos (2001) and Kitzmueller and Shimshack (2012), namely, philanthropy, CSR in a stakeholder approach, and strategic CSR. This taxonomy allows me to highlight the motives of firms that establish partnership with NGOs as part of their CSR policy. Understanding why firms choose to work with NGOs rather than standardization offices and agencies or consulting firms is important for NGOs. Moreover, understanding firms' actual motives for engaging in CSR is important for NGOs since the effectiveness of private partnerships depends on a mutual understanding of the objectives of such partnerships.

2.1 *Ethics, philanthropy, and moral values*

For some managers, ethical action is an end in itself. However, should companies have human values and interests beyond business and profits? Ethics is a system or code of morals held by a person, group, or profession. Lantos (2001) argues that the ethical justification of CSR is where most controversy concerning the legitimacy of CSR lies, perhaps because the boundaries of ethical CSR are elusive. Further, several authors argue that companies initiate CSR activities for ethical reasons, but others deny that corporations have purely altruistic motivations for engaging in CSR (Egels-Zandén, 2009). According to Friedman (1970), the social responsibility of business toward society is to ensure firm profitability, to obey the law, and to be ethical. Friedman thus recognizes legal and ethical duties of corporations. In this sense, ethics is an integral part of business.

Historically, CSR fits into a tradition of corporate philanthropy, which responds to a Protestant inspiration along with practical issues. In this sense, CSR is in line with industrial paternalism (Gond and Igalens, 2014). Being a philanthropist means caring and sharing by acting to promote the common good. For a company, philanthropy entails making voluntary donations through associations and services, without expecting profit in return, even in terms of reputational benefits. This view of CSR may seem strange, and the altruism that it implies can be viewed as anthropomorphism, since a firm is a group of people, managers, shareholders, and employees. Moreover, this view of CSR can be interpreted as an “insider-initiated corporate philanthropy”, as proposed by Bénabou and Tirole (2010). CSR activities result from directors’ and managers’ decisions, and firms’ profits may be sacrificed. Such activities raise questions about corporate governance, the social role of firms, and corporate substitution for the state in the selection of fair causes.

For Baron (2010), CSR may be viewed as self-regulation motivated by moral concerns. Moreover, he distinguishes between CSR, which must induce no profitable returns, and corporate social performance, which is viewed as the provision of a public good or socially beneficial redistribution that goes beyond legal obligations and that may result from the strategic choices of a firm.

At the opposite of Freidman’s position, Porter and Kramer (2006) identify moral obligation as a key reason for adopting a socially responsible agenda. Moral duty can be linked with “corporate citizenship” in the limited view defined by Matten et al. (2003). Moreover, strategic philanthropy can be used by companies to improve their competitive context (Porter and Kramer, 2002).[4] Because firms have the knowledge and resources to gain a better understanding of how to solve problems in the communities with which they work, they can use social initiatives to improve their competitive context. Using philanthropy to enhance their competitive context, companies can improve not only society but also their long-term business profits. Strategic philanthropy may materialize in cause-related marketing, in which sales are linked to a charity or another public cause. For instance, for many years, Ben and Jerry’s, an American ice cream company, has donated 7.5% of its annual pretax profits to charitable causes through its foundation. This charitable activity is part of its business model, and it has contributed to its reputation. In the case of Ben and Jerry’s, a fine line exists between strategic philanthropy and advertising. Moreover, this type of strategy raises the question of the tax advantages of donations. Is it still philanthropy when corporations can deduct donations as a business expense?

In this context, partnerships between corporations and NGOs are unilateral and limited. NGOs represent fundraisers through sponsorships, charity for aid actions or redistribution, and a means for corporate philanthropy. The choice of NGO for a firm is a function of the specific issue that the corporation wants to promote. Corporations seek the traditional role of NGOs, that is, the delivery of services to alleviate the symptoms of poverty or inequality, not necessarily the causes of poverty or inequality, for instance, by acting as purveyors of disaster relief or actors in humanitarian interventions.

2.2 Stakeholder approach

Contrary to the Friedman’s view, which states that a firm’s sole purpose is to maximize economic value for its shareholders, stakeholder theory argues the existence of a contract between the firm and society. In the case of a breach of contract, the firm loses its legitimacy. Porter and Kramer (2006) note that “the notion of license to operate derives from the fact that every company needs tacit or explicit permission from governments, communities, and numerous other stakeholders to do business”. Therefore, companies must maintain their stakeholders’ authorization to operate and must therefore address their stakeholders. Freeman (1984) describes a stakeholder as “any group or individual who can affect or is affected by the achievement of the organization’s objectives”, including employees, customers, consumers, suppliers, investors, communities, governmental bodies, political groups, NGOs, trade associations, trade unions, and competitors.

Stakeholder theory specifies that each stakeholder group must be considered and that each stakeholder group must even participate in determining the future direction of the firm in which they hold a stake, since each stakeholder invests in the firm: employees invest time and human capital, customers invest their trust, and communities provide infrastructure, education, and so forth. Moreover, stakeholder theory includes in its strategic analysis some groups of stakeholders that were formerly neglected, namely, civil society. Freeman (2001) mentions that in the stakeholder model, the stakes are reciprocal since both the firm and its constituencies can affect the other in terms of rights and responsibilities. This relationship implies, for instance, that customers have an obligation to support socially responsible firms rather than socially irresponsible or socially indifferent firms (Lantos, 2001).

Porter and Kramer (2006) agree with this view of the firm. For them, some arguments about CSR suffer from the same problem of focusing on "the tension between business and society rather on their interdependence". Indeed, all firm activities affect the communities in which a firm operates. The value chain, a concept described by Porter (1985), can be used as a framework to identify the negative and positive social and environmental consequences of company's activities. In addition, social conditions, such as transportation infrastructure, health systems, or intellectual property protection, influence firms' activities and results. Porter and Kramer (2006) expound the principle of shared value: companies' choices and social policy decisions must benefit the community in its entirety. Therefore, healthy societies and successful companies need each other. In the same vein, Lantos (2001) argues that "the corporate social contract holds that business and society are equal partners, each enjoying a set of rights and having reciprocal responsibilities".

By definition, NGOs have a rightful place in the stakeholder approach as representatives of civil society. Moreover, many environmental or social purpose NGOs spearhead CSR. Arenas et al. (2009) show that such NGOs are recognized by other stakeholders as the primary actors in the introduction and development of CSR and that corporations perceive NGOs to be one of their primary stakeholders.

2.3 Strategic CSR

The third set of motives is related to the fact that CSR activities may be a source of competitive advantage and thus profit. Baron (2001) defines “strategic CSR” as a socially responsible approach to reinforcing a firm’s market position and increasing its long-term profits. Several polls reveal that in the business world, executives now regarded CSR as a “strategic” element for their firms. The majority of managers from all continents (1122 respondents) anticipate that CSR will become an important priority in the coming years (68.9%), and more than half of managers (52.9%) believe that CSR policy contributes to a better brand and reputation. Furthermore, 53.3% of respondents believe that CSR is a means of establishing a differentiated market position (EIU, 2008). A survey by McKinsey (2009) indicates that chief financial officers, investment professionals, and CSR professionals agree that maintaining a good corporate reputation or good brand equity is the most important way for CSR programs to create value for firms. Moreover, respondents largely agree that such programs create shareholder value over the long term.

CSR activities can create a competitive advantage for firms through various channels. First, firms may secure their supply chain and may use CSR as a source of competitive advantage by creating market niches through sustainable labels on products. Indeed, for many MNCs, a large proportion of their agricultural raw materials are purchased on the world commodity markets, where there is little control over source, quality, and growing methods. MNCs thus risk losing reputation because of a decrease in their product quality. By developing sustainable relationships with suppliers, firms secure their supply sources through long-term partnerships, maintaining quality standards along the supply chain and potentially optimizing their purchase costs by cutting out intermediaries. This strategy may also add value to products for consumers through labeling (Poret, 2010; Chambolle and Poret, 2013). In such a context, NGO knowledge of, and access to, a geographic or specific community helps to fulfill the company’s objectives. For instance, the internationally recognized fair trade organization Fairtrade Labelling Organisations (FLO) defines itself as a worldwide network of producers, trading companies, and national labeling initiatives that sets Fairtrade standards and that provides Fairtrade certification and trade auditing. Owing to its extensive practical field experience, FLO provides access to a network of producers or contact facilitation to create a specific network of suppliers.

Second, to gain market power, firms can choose vertical or horizontal product differentiation. In this context, a firm's supplied product is then distinguished from other products by its quality or by some specific characteristics or attributes, which might also allow the firm to sell the product at a higher price or to create a niche market. Baron (2001) asserts that companies compete for socially responsible customers by explicitly linking their social contribution to their product sales. Eco-labeling and ethical labeling are examples of strategic CSR: attempts to increase profits by attracting "green" or socially responsible consumers by using "quality" signals. In this framework, the firm is a channel for the expression of consumer values, which Bénabou and Tirole (2010) call "delegated philanthropy". CSR thus helps consumers to express their philanthropic desire through their economic decisions, and the decision to purchase a product with sustainable attributes is determined by the consumer's willingness to pay for CSR (Etilé and Teyssier, 2013).

However, some consumers who are willing to pay for sustainable products and services confront firms that are tempted to appear to be socially responsible without actually changing their practices. The problem of greenwashing is clearly related to the informational asymmetries between producers and consumers regarding products' attributes. Definitions of greenwashing are not convergent: the practice of disseminating disinformation by a corporation to present an environmentally responsible public image, the practice of making an unsubstantiated or misleading claim about the environmental benefits of a product, or the practice of supporting efforts to go green by a corporation but, in turn, damaging the ecosystem by manufacturing harmful products. Lyon and Maxwell (2011) propose a formal definition of such behavior: "greenwash[ing] can be characterized as the selective disclosure of positive information about a company's environmental or social performance, while withholding negative information on these dimensions". These authors offer the example of the cruise line brand Royal Caribbean. In 2003, the company decided to advance its wastewater treatment systems as an action of environmental "progressiveness". However, this feature was installed on only three of its 26 cruise ships, and these ships were, in fact, its Alaskan fleet, as Alaskan law has the strictest environmental standards in the industry. Some NGOs have become more vigilant about perceived corporate duplicity; further, greenwashing poses a risk for the company of being publicly denounced by activists and can ultimately be counter-productive by damaging the firm's reputation. For instance, through their condemnation of peoples' rights violations and environmental damage, the Pinocchio Awards, launched by Friends of the Earth, have grown increasingly important since their creation in

2008. The Pinocchio awards are an opportunity to report a gap between messaging about "sustainable development" and actual practices on the ground, and they contribute to CSR by pressuring companies to change their practices. The role of NGOs in these last two cases is to reveal information about corporate practices. I develop this argument in the next section.

Finally, CSR initiatives may also be attributed to a set of strategic motives related to regulation, including pre-empting government regulation, encouraging it, or taking advantage of it. Indeed, on the one hand, integrating CSR initiatives into corporate activities, such as internal codes of conduct, negotiated agreements, or cross-sector alliances, provides a way for companies to prevent the enforcement or the intensification of existing public standards and to forestall future regulations implemented by a government (Egels-Zandén, 2009). On the other hand, CSR may be used to create a competitive advantage by imposing the environmental or social regulations of one firm on an entire sector. CSR activities create a temporary monopoly for firms that already comply with such regulations. Sustainable standards implemented by the regulator may thus represent barriers to entry for competitors that are not already in compliance. Through their advocacy work and work as actors in multi-party negotiations with governments, the private sector, and other civil society organizations, NGOs are able to help corporations in their public relations activities. For instance, Greenpeace has been regularly in contact with the French retailer Carrefour after it launched a new label "Nourri sans OGM" ("fed without GMOs"). The aim of these efforts is to influence the French government to impose a stricter law on GM food labeling.

3. NGOs as partners

Among all stakeholders, NGOs have a growing role and growing importance. Van den Berghe and Louche (2005) consider NGOs to be non-market forces that form a new invisible hand confronting companies. In this section, I try to explain why and how NGOs have become increasingly present in the business sphere by using both theoretical and practical arguments.

3.1 NGOs as a solution to market failures

Theoretically, I analyze the NGOs' emergence owing to market failures. The increasing role of NGOs in CSR may be explained by three phenomena related to the information asymmetry between firms and citizens/consumers: free-riding (Hardin, 1968), moral hazard (Arrow, 1971), and adverse selection (Akerlof, 1970). CSR may be associated with free-riding behavior from corporations. Indeed, greenwashing may be compared to free-riding behavior, as firms may lie about their CSR activities and may receive the benefits related to CSR attributes (Lepoutre et al., 2006). This problem can also be compared to moral hazard, which arises when an agent's behavior is not appropriate. For instance, an agent with more information about his actions may have no incentive to behave consistently with the principal's interest. In a purchase contract, a firm may lie about its CSR activities, and customers are then affected because they do not receive the good that they paid for. Partnerships can solve free-riding and moral hazard problems with respect to the intangible aspects of business because third-party certification and monitoring improves communication about these issues.

The adverse selection problem is related to the difficulty of obtaining information about a firm's operating practices. Sustainable goods have attributes that consumers cannot evaluate even when they use them. Consumers cannot inspect particular produce items and, simply by purchasing and using them, determine whether they were grown organically, whether they are the product of biotechnology, or whether a firm harms the environment, promotes employment discrimination, or builds strong relationships with local communities. Such products are called credence goods (Nelson, 1970; Darby and Karni, 1973).[5] For consumers concerned with a firm's CSR practices, an alternative source of information is thus required. For this purpose, labels may be used as a signal to reduce the information asymmetry between sellers and customers. Indeed, quality signals, especially labels, can transform credence attributes into search attributes, whose quality is readily observable prior to purchase (Caswell and Mojduszka 1996).

These market failures may be partially resolved by NGO interventions because NGOs can provide an important source of information for citizens/consumers who value the behavior of firms. NGOs may affect the information that is available to consumers for their purchasing decisions through two main channels: cooperation and confrontation. These channels are described within the terminology of Lyon (2010) as "Good Cop/Bad Cop". The so-called "bad cops" or polarizing NGOs, such as Greenpeace, tend to achieve change by disrupting the status quo through confrontation.[6] By contrast, "Good cops" or integrating NGOs, such as WWF, aim to promote their goals through constructive partnerships with businesses, governments, and other civil society organizations (Elkington and Beloe, 2010).

In a proactive approach, a firm may thus approach an NGO to use its existing label or to create a new standard together.[7] Indeed, when a firm wants to promote a credence good or information, it must offer a warranty. Certification systems involve specified standards, verification procedures, certification, and, very often, labels. Labels are a visible means to signal to consumers that products meet a required standard. In this context, NGOs act as certifying agencies that assure consumers that the products that they have purchased were produced in a sustainable manner. Through their external intervention, NGOs allow firms to credibly signal that their products possess sustainable attributes. In this way, NGOs provide credibility and legitimacy through the trust that they inspire among consumers.

3.2 Motives and risks for NGOs

The increasing presence of NGOs and the confidence they arouse afford them the power to positively influence private sector behavior through constructive partnerships. Some NGOs' motivations for such collaborations with the private sector are identifiable. The primary motivation is the sinews of war: money. Indeed, the increasing scarcity of public funds and the increasing number of NGOs force NGOs to find new sources of funding. Because firms are institutions with relatively easier access to financial resources, NGOs are motivated to establish alliances with corporations. Consequently, a real market for NGOs' services is created.

Another motivation for NGO collaboration with corporations is the rise of societal problems. Indeed, a partnership is a way to sensitize corporate clientele to an NGO's cause. A positive consequence of such partnerships is an increase in notoriety: the association with a firm with a strategic position in the market is one way for an NGO to strengthen its reputation and political influence (Selsky and Parker, 2005). Thus, NGOs have an incentive to work with large, consumer-oriented, notorious companies. For instance, the concept of fair trade has experienced an impressive expansion following the launch of the Max Havelaar label (Fairtrade) awarded to brand-name products or private label products sold in large retail stores (Poret, 2010).

As an NGO's reputation and legitimacy may increase through cooperation with a reputable partner, an NGO may lose reputation if the NGO's partner experiences a scandal. Likewise, an NGO may face serious repercussions if a partnership turns sour; it may lose its credibility and legitimacy among consumers/citizens, corporations, and other organizations, and credibility and legitimacy constitute critical capital for NGOs. For instance, the multiplication of types of action for an NGO represents a risk of legitimacy loss.[8] In a short time, an NGO could receive donations from a company, advocate the CSR approach of another, and launch a boycott campaign against a third. To protect themselves against such risks, NGOs must maintain consistency in their messaging and actions and must carefully choose partners that they can trust. Moreover, the partnership between WWF, the world's largest independent conservation organization, and Coca-Cola aims to conserve water resources and to replace the water that is used to produce drinks sold by the company, i.e., "global water neutrality". WWF receives funding, while Coca-Cola obtains an improved public image. However, many analysts label this partnership greenwashing because the term "water neutrality" is not scientifically defined and because Coca-Cola still faces problems in misusing water resources. This controversy affects the NGO WWF, which stands accused by some media of being "too dependent on corporate cash to campaign objectively, too close to companies to challenge the business-as-usual orthodoxy".[9]

Head (1998) argues that NGOs should not be endorsing companies but should be engaging with them critically. However, this strategy is not always sustainable given the sharpened competition between NGOs to develop partnerships with companies. To attract corporations or to conclude partnerships, NGOs may be tempted to moderate their requirements; for instance, as standard setters, they may reduce their requirements for standards. Such moderation of NGO standards is an example of "NGO capture", analogous to regulatory capture. The theory of regulatory capture states that interest groups such as industry members have the means to influence public decision makers and try to "capture" these decisions to their advantage because of information asymmetry (Laffont and Tirole 1991). In our context, a corporation may "capture" an NGO by dominating it through a partnership. In the end, the risk is that any greenwashing, beyond undermining firms' reputation, spills over to the NGO partners. Such spillover is more likely when the partnership is materialized through an NGO-certified label on products, in which the name of the NGO is connected with the firm's brand. Moreover, an NGO needs corporations to implement standards to achieve its objectives and, in the end, to exist. Thus, these strategies are riskier for NGOs in terms of dependency on businesses. NGOs face the challenge of maintaining independence and avoiding becoming manipulated, since independence is a core credential and a sign of legitimacy. The primary factors that protect NGOs from being captured by businesses are evaluation mechanisms with external audits and relationships with other business partners to prevent financial dependence.

This type of independence is also in the best interest of NGOs' corporate partners because it is crucial for the long-term credibility of the partnership (Baur and Schmitz, 2012). For instance, in a mainstreaming approach, Fairtrade International (FLO) recently proposed the development of a Fairtrade Sourcing Partnership (FSP) with a new fair trade label. Currently, for a product to bear the Fairtrade logo, FLO standards require that all ingredients that can be certified must be and that a minimum of 20% of the total product comprise Fairtrade certified ingredients. The FSP would shift from this policy and use a new logo to certify products containing only one certified ingredient—sugar, cocoa, or cotton—even if the ingredient composes less than 20% of the total product. This new scheme aims to increase the volume of commodities being purchased from Fairtrade certified farmers and to engage companies that do not want to commit to the full cost of certifying their products or that are only interested in particular commodities. However, the introduction of a new certification mark contributes to consumer confusion and possibly the erosion of credibility. Moreover, the new mark has less stringent standards for "Fairtrade" products and is cheaper for companies to adopt. There is a high risk that this mark will then devalue Fairtrade certification.

3.3 Level of NGO involvement

The commitment of partners in corporate-NGO partnerships can vary. The collaboration continuum by Austin (2000) describes how such collaboration evolves over time, depending on a firm's stage of CSR and the firm's motives, as described in Section 2. At the philanthropic stage, firms may consider NGOs to be recipients for charitable activities; thus, the interaction between parties may be fairly minimal. Moving on to the transactional stage, firms start to increase the intensity of their interaction with NGOs through resource-exchange activities such as sponsorships. Some collaboration may evolve to the final stage, called the integrative stage, in which firms and NGOs begin to merge their missions, people, and activities. An alliance represents the integrative stage of the collaboration continuum, where the value of collaboration itself becomes critical to both parties (Austin, 2000).

In practice, a MNC has several options for driving a sustainability program, depending on the level of the CSR process at which the NGO intervenes and the level of the partners' involvement. First, the relationship between an NGO and a firm may be limited to a communication campaign, which can be viewed as a co-branding operation. WWF has established a significant co-branding program with its Panda logo. Many firms, such as Sony for televisions and Fellowes for recycled paper, co-brand with WWF to obtain a more environmentally friendly image and to enhance consumers' trust in their brand/product and loyalty. Products must meet environmental and social criteria, and WWF requests an independent certification of products, such as WWF-accepted labels and certification systems.

Second, an NGO may act as a monitoring agency to control the code of conduct implemented by a firm. The Fair Labor Association (FLA), a non-profit network of universities, NGOs, and companies, was created in 1999 to establish independent monitoring and a code of conduct in firms, including a minimum age and a maximum-hour workweek. The FLA conducts independent and unannounced audits of factories that are used by FLA affiliates to evaluate companies' compliance with all code elements and to verify companies' internal compliance efforts. For instance, Nike Inc.'s compliance program is accredited by FLA.

The third option for a company is the creation of a partnership with an NGO to develop a code of conduct or a specific standard. This type of partnership implies three steps of construction: the establishment of standards or "recognition", the creation of evaluation mechanisms with independent enforcement or certification, and the recognition of the control party by an authoritative body or accreditation (de Boer, 2003). In 2003, Nestlé with its Nespresso brand, the worldwide leader in high quality premium portioned coffee, worked with the NGO Rainforest Alliance to improve its performance in terms of quality and sustainability by developing its own standards: the Nespresso AAA Sustainable Quality Coffee Programme. Nespresso aimed to source 80% of its coffee through its unique AAA Sustainable Quality Program and Rainforest Alliance-certified farms in 2013. The Rainforest Alliance logo, a green frog, does not appear on the packaging, and it is not used in communications.

Finally, a firm may choose an existing well-established label that is owned by an NGO. In this context, the firm must fully comply with the standards that are defined by the NGO. In 2006, Unilever chose this strategy for its Ben and Jerry's brand, and adopted the Fairtrade label in Europe and the United States. Ben and Jerry's is committed to using only Fairtrade-certified ingredients by 2013.

4. The partnership strategy

Corporations form partnerships with NGOs because NGOs promote societal actions, provide technical assistance, elaborate certification schemes, promote and design CSR standards as well as management and reporting processes, and participate in CSR monitoring and auditing. The choice of an NGO partner is a crucial step for a corporation. Accordingly, I analyze how to build and to implement a successful corporate-NGO partnership. A related question concerns the purpose of the partnership, which determines the company's CSR program. Moreover, it is important to note that CSR activities are part of a corporation's brand strategy. Thus, I analyze the different strategies that firms use to incorporate CSR activities into their brand management.

4.1 Stages of a partnership

The development of a corporate-NGO partnership can be analyzed by using a chronological sequence of the evolution of such a partnership at three different stages: formation, implementation, and outcome (Selsky and Parker, 2005). An initial condition of a good corporate-NGO partnership is a self-assessment during the initiation stage (Jamali and Keshishian, 2009). Each party must evaluate its objectives and its needs to define the required skills. This first step facilitates the initial selection of potential partners. The second condition is good communication between partners at each level of the hierarchy (Jonker and Nijhof, 2006). A constructive dialogue is necessary to understand each other's expectations and needs, which helps the partners define the specific problem, the aim of the partnership, and the clear areas of competence for each partner (Jamali and Keshishian, 2009; Arya and Salk, 2006). Moreover, dialogue helps the partners to gain mutual knowledge and to create a clear and common vision of the required work. All of these conditions require a modicum of trust between the partners, although one difficulty here is that trust can have different meanings and can operate differently in the business and non-profit sectors (Selsky and Parker, 2005). The final step of the formation stage is the selection of the partner.

The second stage in the creation of a corporate-NGO partnership is implementation, which involves partnership building and maintenance, governance mechanisms, and managerial requirements (Selsky and Parker, 2005). First, resource dependency, that is, the necessity of the partnership for each partner, is crucial for a partnership to be established and maintained (Samii et al., 2004). The complementarity and recognition of competencies and resources also legitimize the partnership (Jonker and Nijhof, 2006). By taking ownership of the proposal, the partners allocate the required resources to ensure the successful implementation of the partnership. Second, commitment symmetry in terms of time and resources reduces the potential for opportunistic or free-rider behavior. Then, converting the mindset in both the company and the NGO is a crucial element for creating a common culture (Selsky and Parker, 2005) and a common language (Jonker and Nijhof, 2006) for the project for both internal stakeholders, such as employees, and external stakeholders, such as customers. The success of this process depends on the quality of the dialogue between the partners and on each partner's inclination to learn and to teach. A partnership is more likely to be successfully implemented if the partners can monitor their actions by developing formal structures, norms, and boundaries, particularly if various approaches to governance and structure are considered (Selsky and Parker, 2005).

Finally, the success of the partnership for the partners must be evaluated in relation to their motives and objectives. For the business partner in the alliance, direct outcomes are relatively easy to measure: sales impacts, target market results, retailer response, and revenue-to-expense results (Selsky and Parker, 2005). One significant outcome that is more difficult to estimate is the public appreciation, trust, and credibility, which represent intangible capital for both corporations and NGOs. Moreover, a corporate-NGO partnership represents a good opportunity for learning in the novice field of CSR, and it can be a tool to more closely connect CSR and economic performance (Arya and Salk, 2006). A successful collaboration can create spillover and can contribute to a more efficient allocation of resources for the common good (Jamali and Keshishian, 2009). Finally, the contribution of the partnership to sustainable development should be evaluated. Such an evaluation can be difficult, however, as effects and results can appear long after the actions undertaken as part of the partnership and can be complicated to quantitatively evaluate.

4.2 The purpose of the partnership

Despite numerous international reports, a universally accepted and understood definition for sustainability is lacking. A crucial question then concerns how to translate sustainability issues into a firm's social responsibility (de Boer, 2003). Indeed, in practice, sustainability induces a multiplicity of criteria that can be integrated into products, production processes, supply chain actions, and trade relations (Bitzer et al., 2008; Reinecke et al., 2012). In terms of topics, such as de Boer (2003) for labels, one can distinguish sustainability issues that identify relevant "ideals", such as reducing energy consumption, from sustainability issues that avoid "ills", such as dolphin protection. The political scientist Lindblom (1990) notes that agreeing on the ills to be avoided (e.g., poverty) is often easier for a heterogeneous society than agreeing on the ideals to be achieved (e.g., the ideal income distribution). Differences also arise with respect to generic issues (e.g., fair trade), sector-specific labels (e.g., green electricity), and firm/value chain-specific problems. De Boer (2003) notes that generic labels are appropriate for products for which standards can be easily defined and for which no controversial political issues exist. However, concepts such as sustainability, ethics, and fairness are ambiguous and controversial, and clearly defining the problem is essential for the success of a partnership, as noted earlier. The question is then, which societal issues should be addressed?

Few firms have the knowledge necessary to address certain societal issues, such as poverty, biodiversity, or AIDS. A firm involved in a project central to its mission and objectives is more likely to have the expertise that is necessary to solve a particular problem. Porter and Kramer (2006) note that if a firm succumbs to outside pressure, such as a media campaign by attempting to solve many different social problems, the firm generally produces neither maximum social benefit nor gains for the business. The strategic approach is to identify a particular set of societal issues for which the firm is the best equipped to help resolve and from which it can gain the greatest competitive benefit. In this approach, prioritizing social issues by selecting those related to the firm's activities is most efficient. To do so, a company must sort societal issues into three categories - generic social issues, value chain impacts, and social dimensions of the competitive context - for each of its activities and locations (Porter and Kramer, 2006). On this basis, a firm can transform value-chain activities to benefit society while reinforcing its strategy and can conduct strategic philanthropy that leverages its capabilities to improve the salient areas of the competitive context. With respect to the principle of "shared value", it is important to identify the points of intersection between activities and societal problems (Porter and Kramer, 2006). This approach then targets the relevant NGO and specifies what the NGO can provide in terms of information, technical support, and networks. For instance, Lafarge, the world leader in construction materials, has a strong presence in sub-Saharan Africa, where many people are affected by HIV/AIDS. Because AIDS affects Lafarge employees, AIDS represents a business challenge. In 2002, a partnership was developed between Lafarge and Care, an international humanitarian NGO. This partnership, based on mutual learning, helped the firm to formalize its actions, ranging from treatment to care and prevention (Pestre, 2011).

4.3 Brand strategies

A CSR product-oriented action must fit into a brand strategy. Indeed, a firm may invest in its brand to render the relevant sustainability issues consistent with its other messaging to consumers. However, many strategies are possible. Poret (2010) identifies four potential options for an MNC to implement a sustainability program through a brand selling labeled products.

The first strategy is the acquisition of a brand with a strong commitment to social responsibility. Indeed, a firm can buy out an existing firm that has distinguished itself from other firms through a long-term commitment to social responsibility. Unilever chose such a strategy by buying out Ben and Jerry's in 2000. According to the company's website, the company mission statement includes three parts, namely, economic, product, and social, with the aim of "being a global company and at the same time being a progressive business that is connected to people and communities".

The second strategy is the extension of a firm's product range in the context of a well-established brand. Kraft has been working with the Rainforest Alliance since 2003 to create, among others, a new coffee in France under the Jacques Vabre brand, "*un café pour agir*" (a coffee to act). Under the terms of the agreement, Kraft funds technical assistance and training to improve living and working conditions on coffee farms, purchases significant and increasing quantities of certified sustainable coffee to blend into its mainstream European brands, and stimulates consumer demand in Western European and US markets through the introduction of 100% certified products under existing trademarks. The product "*un café pour agir*" was nevertheless a commercial failure in France for two reasons. First, Rainforest Alliance was not known in France at the time; unlike Max Havelaar, the label bears no significance to consumers. Second, the name of the product, which was very militant, was far from the brand's roots. Currently, Kraft sells several products of the Jacques Vabre Rainforest Alliance certified brand, without a particular product name.

The third strategy is the creation of a new brand, which is identified as sustainable, as an alternative through which an international company can implement a CSR approach. In 2006, Danone created Stonyfield Europe and marketed a new brand of organic yogurts in France: "*Les deux vaches*". Stonyfield Farm, the US partner that holds 20% of Stonyfield Europe, gives 10% of its profits to environmental causes. As another example, during the two last decades, many firms have emerged and continued to grow as mission-driven businesses aligned with the fair trade movement. Their activity is exclusively fair trade oriented and is well identified as such by consumers, as they sell only Fairtrade-certified products in supermarkets (e.g., Ethiquable, Alter Eco, Cafédirect, Equal Exchange). These brands compete with MNC brands whose products are also Fairtrade certified.

The fourth strategy is the conversion of an exciting leading brand. Such a strategy was adopted by Unilever with the leading tea brand Lipton. In May 2007, Unilever, the world's largest tea company, became the first company to commit to sourcing all of its tea in a sustainable manner, employing the Rainforest Alliance to certify its tea estates in East Africa, as well as its third-party tea suppliers in Africa and other parts of the world. Unilever's aim is to have all Lipton label and PG Tips tea bags sold certified by 2015. By end of 2012, 39% of tea in all of Unilever's global brands was sourced from Rainforest Alliance-certified farms.

The success of a brand depends on a firm's ability to select a brand meaning, to transform the meaning into an image, and to maintain the image over time. For the success of a corporate-NGO partnership, a good combination between the two partners in terms of meaning and image must be established without requiring sudden changes. Moreover, a brand with multiple concepts may be less effective at establishing a position, as consumers may then have more difficulty identifying the brand's basic meaning. The same argument can be applied to multiple labels on one product. Indeed, during the last decade, hundreds of labels aiming to guarantee various process qualities (e.g., organic, fair trade, carbon footprint) have flooded the market. The accumulation of information creates a "halo" effect, whereby consumers experience a feeling for a product based on a few pieces of information and then use this feeling to infer the value of some other attribute (Etilé and Teyssier, 2012). For example, Tagbata and Siriex (2008) show that consumers' willingness to pay for chocolate is the same regardless of whether a product has an organic label, a fair trade label, or both, even though the organic and fair trade labels refer to very different attributes.

4. Conclusion

Partnerships between businesses and NGOs in the pursuit of CSR have become increasingly prevalent in recent years. This article studies these collaborative relationships based on economic concepts, the management literature, and numerous examples. Firms may engage in

CSR activities many reasons. Some reasons are altruistic, others are strategic, and still others are defensive. In this debate, I integrate a central actor in CSR initiatives, namely, NGOs, and highlight three functions of NGOs in corporate motives for involving such organization in firms' CSR activities. First, the traditional function of NGOs is to provide fundraising for specific charities and causes. Second, NGOs partner with firms as a stakeholder, acting on behalf of the common good with societal claims. Third, NGOs have a strategic function in that they act with or against corporations given their own objectives, regardless of whether these objectives involve public or universal interests. For instance, a watchdog NGO may launch a campaign against a corporation to promote its cause, knowing that this action might increase donations. On a theoretical level, NGOs help to solve information asymmetry problems in the context of a growing presence of credence attributes in firms' goods and activities. Partnerships may thus generate trust and legitimacy, providing corporations with a social license to operate. For a more practical purpose, corporations partner with NGOs to engage in CSR activities because NGOs have skills and resources that are now relevant to business. NGOs have local, national, and international networks along with knowledge and experience in the societal issues that firms face.

Such partnerships represent some risks for both types of partner. Concessions made by some corporations to develop a partnership with some NGOs may be unreasonable for other stakeholders, such as shareholders. The risk is then the lack of financial assets. Moreover, launching CSR activities in a non-credible manner bears a risk of accusations of greenwashing. For corporations, such accusation may destroy their reputation and legitimacy, affect their production activities, and decrease their profits for a certain period of time. Greenwashing accusations may also spill over to the NGOs involved with such corporations, affecting their credibility and legitimacy while generating a loss of confidence from many society members - the primary capital of NGOs. This risk is intensified when the partnership materializes through a brand's association with an NGO label for specific firm products or services. This argument is related to the risk of dependence. Indeed, partnerships may be problematic because they create resource dependence for NGOs, compromising their ability to challenge firm behavior. This dependence is more pronounced when the core business of an NGO is the creation and development of sustainable standards and labels for corporations. Corporate-NGO partnerships thus introduce a market-driven logic into the nonprofit sector. Indeed, the resource dependence perspective asserts that one consequence of competition and the sharing of scarce resources is some degree of dependence of NGOs on businesses. This dependence also induces the risk of “NGO capture” by businesses, which results in a loss of trust in the non-profit sector along with a loss of identity for NGOs, essentially rendering NGOs consulting firms. To limit the risks related to corporate-NGO partnerships, NGOs must try to differentiate themselves by focusing on specific and well-defined issues. By collaborating with several firms on specific issues, NGOs avoid competition and remain independent from the corporations that they work with.

Future research should investigate why some partnerships materialize while others do not and why some partnerships succeed while others do not, particularly by focusing on case studies. One can expect that the type of industry and the purpose of collaboration play crucial roles in determining not only the willingness of a firm to adopt a CSR approach but also the possible gains for both parties. Future research should also focus on variation on the corporate side while accounting for the differences among NGO partners and their strategies.

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[1] http://www.globescan.com/commentary-and-analysis/featured-findings/entry/credibility-gap-persists-around-companies-csr-communications.html, accessed December 17, 2012.

[2] The other type of NGO is membership organizations, whose goal is to represent and defend the interests of members.

[3] For 2009, the difference between the percentage of respondents indicating "A lot of trust" and "Some trust" in the institution and the percentage of respondents indicating "Not much trust" and "No trust at all" was 27% for NGOs and -8% for global companies.
http://globescan.com/pdf/GlobeScan_Radar_2010.pdf, accessed September 13, 2012.

[4] According to Porter and Kramer (2002), a company's competitive context consists of four interrelated elements of the local business environment that shape potential productivity: factor conditions (employee, natural resources, physical infrastructure); demand conditions (educated customers); the context for strategy and rivalry (corruption reduction); and related and supporting industries.

[5] Two other broad classes of products exist. Search goods have characteristics that are discoverable through inspection prior to purchase and consumption, and experience goods have characteristics that are revealed only through consumption.

[6] Empirical studies of boycotts are inconclusive about their effectiveness (Baron, 2012). Free riding may be a cause of boycott failures: since boycotting is costly in terms of consumer utility, any consumer has an incentive to free ride, that is, to not participate in the boycott while hoping that it succeeds. The inefficiency of boycotts may partly explain the change in interactions between corporations and NGOs.

[7] Standards can be defined as a specification or a set of specifications that relate to a product's attributes (Sykes, 1995).

[8] According to Suchman (1995), legitimacy is "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions".

[9] See the newspaper article from Guardian Professional on 15/10/2013, "WWF's president on business partnerships and greenwashing" (http://www.theguardian.com/sustainable-business/wwf-president-business-partnerships-greenwashing) and that from The Guardian on 4/12/2008, "Greenwash: Are Coke's green claims the real thing?" (http://www.theguardian.com/environment/2008/dec/04/coca-cola-coke-water-neutral).