THE NEED FOR COOPERATION BETWEEN ENTERPRISES AND NON-GOVERNMENTAL ORGANIZATIONS

Abstract
The role of the third sector, which affects the development of civil society, is greater than before. At the same time is observed growth of the need for responsible use of management techniques in the crisis economic environment, which return to ethical values. Despite many differences between market and non-governmental actors, turbulent economic situation affects more intense relationships of the business sector and NGOs. The article presents conditions to support cross-sector cooperation in assessing the significance of the development of the relationship between the above mentioned entities. Author submits proposal of structuring by selection of important cooperation between business and NGOs theories and results from own study, conducted between 2013 and 2014 (grants from the WUT Faculty of Management). Aim of the paper is to find reasons for cooperation between business and NGOs as indispensable element in sustainable management.

Key words: socially responsible corporation, NGO, sustainability, cross-sector relations, business-NGOs alliances.

Foreword
Socially engaged corporations combine several novel conceptions of economic growth as a response to the turbulent modern reality: social innovation, sustainability, or even social economy that cures the effects of economic recession. Most corporations recognized as socially responsible in Poland and abroad take up relations with non-governmental sector. The subject of this article is the theory and explanation of the principles for the cooperation between companies and non-governmental organizations. Moreover, the aim of this article is to present an analysis of needs of enterprises that lead to the building of a strategic cross-sectoral cooperation. The needs of businesses related to cooperation with NGOs (non-governmental organizations) are initially examined issue and described in the literature. There is
no comprehensive studies since this question is complex. Companies working with leading NGOs relationships that are not purely related to their goal of generating profit. In the case of NGOs goal is more clearly arranged, because their motivation is to obtain financial support [Przewłocka, Adamiak, Herbst, 2013]. Polish companies that already work with non-governmental organizations, are not very large group, however, they begin to be visible, and to recover the costs invested in their image and relations with customers and partners. So they have the first experience, and in some cases even decades of collaboration in the field of cooperation with NGOs [Karwacka, Kitzman, 2014]. These are corporations, mostly international, taken over with a group of about 500 companies operating in Poland, which also are active in the area of CSR (Corporate Social Responsibility), however not all companies that have CSR policies must cooperate with NGOs (Own quantitative study, 2014. Selected companies that participated in the survey: BP, IKEA, UPC, PWC and other companies that reserved their names for publication).

Recent research cooperation between the public and voluntary sectors, show that the relationship between these sectors are the domain of those companies that are socially responsible and those NGOs, which are consistent with the field of activity of business partners social interests. The literature on cross-sector relations examines the relationship of entities that cooperate to their mutual benefit, the most recent publications draw attention to the development of the whole industry innovation based on collaboration between business and institutions representing the interests of consumers with different specific groups that are usually NGOs. These organizations represent the interests of specific groups: the disabled, senior citizens or consumers of postcolonial countries. Moreover NGOs represent spirit of active and altruistic civilians and are a well-established tool of association on issues of importance to society.

Research on collaboration with NGOs is important for civil society, which results from the role of NGOs. The NGO sector is perceived as the source for providing ways for solving social problems, maintaining market principles and helping the weakest at the same time. The most important economic concepts that explain the existence of social organizations include the concept developed by B.A. Weisbrodt [Weisbrodt, 1985]. In the literature it is referred to as the concept of a free market and government failure in meeting the needs of the society [Leś, 1998]. From the business point of view, a market failure is not the direct reason which drives market players to collaborate with NGOs, but it gives rise to social problems and the establishment of NGOs. Social problems force businesses to make strategic decisions that involve collaboration with NGOs. Consequently, these organizations become important stakeholders of businesses [Visser, 2011]. The concept of market failure combined with the concept of social innovation put strong emphasis on the likely direction of collaboration development at the interface between the business and NGO sectors. Business-NGO collaboration seems to be the remedy for the changing and turbulent environment of corporations that may thus stand better chances to survive the series of shocks they encounter. The hypothesis of this paper is that the cooperation between firms and NGOs is a necessary part of their sustainable
strategy in a volatile global environment. For the purposes of this article we assume that sustainability is an economic discipline that examines and develops management processes in which the needs of the present generation are met, without compromising the ability of future generations to meet their own needs [Zoeteman, 2012]. In the subsequent parts the paper will present proposed arrangement of latest management theories related to the cooperation of business and NGOs. Afterwards paper presents holistic management business-NGO cooperation model and subsequently business strategies where this type of cooperation is fulfilled. All concepts of cooperation demonstrate connection between cooperation and sustainability.

Structure of NGO-business cooperation theory

Theorists represent different approaches to cooperation. While there are many relations theories of great importance, it is so rapidly expanding field that is not structured yet. We try to structure selected important theories of cooperation between business and NGOs. Moving on from the widest to the narrowest approach of cooperation between business and NGOs we can see that cooperation is one of many types of their relationships, where the reason for the existence of the relationship are their strategic objectives. Linking strategic objectives of non-governmental organizations with the strategic objectives of enterprises occurs when business is trying to achieve with the help of non-governmental organizations such strategic objectives as: acquiring knowledge about new markets, acquiring a new group of consumers or the creation of a new product or improvement [Karwacka, Kitzman, 2014]. NGO’s objectives are financial support and professionalization [Przewlocka, Adamiak, Herbst, 2013]. A. Najam’s [Bogacz-Wojtanowska, 2013] general types of relations such as: cooperation, confrontation, complementarity, cooptation; focus on the purposes and methods of achieving strategic objectives of each related organization as an important point of reference. According to A. Najam relationships involving the cooperation is based on the sharing similar goals and methods of operation. It requires sharing the common standards, open communication and the coordination of its activities at least in fragmentary area. Relationships involving confrontation – it’s diversity goals and hostile relations nonprofit and public organizations, which may be a manifestation of social protests against the other sector. Complementarity, also is to have common goals, but different ways of doing things, and cooperation is based on complementarity.

A more detailed approach to co-operation between business and NGOs rely on creating specific forms of cooperation by itself is represented by J.J. Cordes and C.E. Stuerle (2009). They described five organizational forms of cooperation non-profit entities with business that show how the third sector can take the role of business and for what purpose:

- **job training** – where nonprofits create and operate business as means of providing training, rehabilitation and employment to groups such as paroled criminals, drugs addict, and the disabled, the business are run as
a training schools, and jobs are an integral part of the rehabilitation, a side financial benefit, which is increasingly recognized as important;

- **nonprofit ventures and the double bottom line** – non-governmental organization that coordinates the production and sale, which is conditioned us in a typical enterprise, line of financial performance and line of social results that does not express itself in profit but social benefits;

- **nonprofits conglomerates** – nonprofits strategic revenue diversification by reduction of their dependence on any single income source by diversification, nonprofits have experimented with new program activities and taken advantage of considerable flexibility allowed by law to create complex structures involving nonprofit subsidiaries, for-profit subsidiaries, and partnerships with for-profit organizations;

- **quid pro quo** – nonprofits are able to exploit certain unique asset for financial gain in collaboration with for-profit;

- **for-profit socially responsible business** – the last type shows how business can take up a role of nonprofit, the blurring of organizational boundaries can go in opposite direction, when companies operate socially as part of its business strategy, not only on the basis of corporate foundations.

**For-profit socially responsible business** form was mentioned as separate from others and no cooperation with NGO is indicated here. However socially operating business without non-profit partner is rare example as NGOs are those entities that has direct contact with social problems [Own qualitative study, 2013]. Moreover, most of international corporations located in Poland and medium sized polish enterprises do not have socially responsible business strategies nevertheless they cooperate with NGOs [own quantitative study, 2014]. J. Cordes and C.E. Stuerle all other forms relies on cooperation between the NGOs and the business sector. However, this latter form, where business is guided by social objectives as the part of their business strategy may be present as well in all their previously mentioned forms of cooperation. It is possible in case of socially responsible business that operates in the current sustainable management. This type of business, despite its focus on profit is also committed to ethical principles, assesses the stakeholders in the long term.

C. Huxham created another typology of cross-sector cooperation that have character degrees – the network, coordination, cooperation and partnership cooperation. C. Huxam and J.E. Austin represent groundbreaking approach to business-NGOs relations theory, which implies a different degrees of proficiency. J.E. Austin’s model Collaboration Continuum requires a separate discussion because of the unique approach to cooperation as a dynamic process and will be discussed separately in this paper. C. Huxam’s network type involves the exchange of information between the partners, which, according to E. Bogacz-Wojtanowska is the easiest form of cooperation [Bogacz-Wojtanowska, 2013]. Difficulties in the exchange of information, however, there are situations where market and non-governmental actors exchange information within the next more advanced types of cooperation. When the information becomes a resource that is common or separate. Coordination is based on common goals, but not including the operation of joint resources, but the resources separately. While cooperation is to include the
activities of common resources. So based on the integration of these resources, which until now have been regarded as mutually exclusive. The last type – the partnership is characterized by increasing the competencies of all cooperating parties. Competencies are a necessary requirement, which demonstrates the organization’s ability to work with organizations in other sectors. “(...) partnership as a target, is the most desirable. It seems, however, that it is very difficult to enter, especially in underdeveloped local socio-economic systems, with economically weak and little active non-governmental organizations”.

In conclusion, the theory of co-operation between business and NGOs, which basically discusses the relationship of institutions opposite in their essence, always coming to address the problem of closest relations that may occur in positive terms as integration or partnership or in negative terms, as hybridization. However, hybridization is regarded as a negative when it concerns business domination over NGOs. Hybridization consists on the creation of social enterprises is an innovative solution for solving social problems.

Model of cross-sector collaboration process

Collaboration Continuum model of J.E. Austin [2000] is the only one and most significant among the models of cooperation, where the interaction is a continuous process that accompanies entities, is constant in its essence, but is subject to change. According to Collaboration Continuum model cross-sector cooperation is considered as a process. J.E. Austin noted that cross-sector relationships have many forms and develop over time that leads to assumption that many forms of interaction between non-profit organizations and corporations are the continuum. According to J.E. Austin model the aim of cooperation is integration stage that is characteristic by a strong, strategic combination of entities, where projects are managed at all levels in the organization, with the support of the board and the direct involvement of employees in cooperation, where establish direct relations between employees of partner organizations through active educational and motivational systems, where organizational culture change under its influence, and the employees are aware of the mutual benefits for the organization and these investments are mutual organizations, in order to obtain mutual return.

Cooperation within the meaning of J.E. Austin is a process that leads to full integration, this process involves the gradual building of relationships between organizations and involves making strategic decisions by the partners. The process of J.E. Austin is thus a transition from stage to stage, but it is a long-term rather than automatic. In the integration stage of cooperation between the actors is here understood as a separate structure, built as a result of the process of development cooperation. The accumulation stage attributes of integration makes it close abstraction and rarely occurs in reality. “Relatively few NGOs and companies advanced to this degree of integration, but those farsighted partners that have are reaping what they see themselves as a significant benefits” (Austin, 2000).
Table 1  
Collaboration stages versus CSR development

<table>
<thead>
<tr>
<th></th>
<th>Philanthropic – CSR in 70’ and 80’</th>
<th>Transactional – institutionalized CSR from 90’ to 2011</th>
<th>Integrative – CSR 2.0 from 2011</th>
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</thead>
<tbody>
<tr>
<td>Collaboration mind-set</td>
<td>Gratefulness and charity syndroms</td>
<td>Partnering mind-set</td>
<td>We mentality in place of us versus them</td>
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<td></td>
<td>Minimal in defining activities</td>
<td>Increased understanding and trust</td>
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<td>Separeteness</td>
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<tr>
<td>Strategic alignment</td>
<td>Minimal fit required beyond a shared interest in particular issue area</td>
<td>Overlap in mission and values</td>
<td>Broad scope of activities of strategic significance</td>
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<td></td>
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<td>Shared visioning at top of organization</td>
<td>Relations as strategic tool</td>
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<td>High mission mesh</td>
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<td>Shared values</td>
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<td>Collaboration value</td>
<td>Generic resource transfer</td>
<td>Core competency</td>
<td>Projects identified and developed at all levels in the organization, with leadership support</td>
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<td>Unequal exchange of resources</td>
<td>More equal exchange of resources</td>
<td>Joint benefit creation</td>
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<td></td>
<td></td>
<td>Projects of limited scope and risk that demonstrate success</td>
<td>Need for value renewal</td>
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<td></td>
<td></td>
<td></td>
<td>Shared-equity investments for mutual “return”</td>
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<tr>
<td>Relationship management</td>
<td>Corporate contact usually in community affairs or foundation; nonprofit contact person usually in development</td>
<td>Expended personal relationships throughout the organizations</td>
<td>Expended opportunities for direct employee involvement in relationship</td>
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<td></td>
<td>Corporate personnel have minimal personal connection to cause</td>
<td>Strong personal connections at leadership level</td>
<td>Deep personal relationships across organizations</td>
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<td></td>
<td>Project progress typically communicated via written status report</td>
<td>Emerging infrastructure, including relationship managers and communication channels</td>
<td>Culture of each organization influence one another</td>
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<td>Minimal performance expectations</td>
<td>Explicit performance expectations</td>
<td>Partner relationship managers</td>
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<td>Informal learning</td>
<td>Incentive systems to encourage partnerships</td>
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Source: own work based [Austin, 2011].
Collaboration Continuum is important model for management of cross-sector cooperation, because cooperation is a process not a structure or outcome. The cooperation process by which organizations are looking for a common solution to the problem that would not be solved alone by the NGO. Theorists in recent publications more often notice that problems solved in the process of cooperation lie on the both sides, the non-governmental partners and business as well. The concepts of cooperation that join interest of both partners are new phenomenon however taking place in business practice.

The business strategies of cross-sector cooperation today

An example of an advanced concept of cooperation on the basis of the integration of NGO and private sector is the concept of CSR 2.0 [Visser, 2011]. In the wake of the discussions related to the profit interests of socially engaged companies developed a model of social responsiveness – CSR 2.0. In this model, working with the non-profit sector is responsible behavior that is a business response to its social surrounding. CSR 2.0 applies, in particular, the management company, not a cross-sector cooperation, however, is an important voice, influencing the formation of cross-sector cooperation because its foundations are relations. W. Visser strongly emphasizes the role of NGOs in the management of modern enterprises on the basis of a CSR strategy 2.0 [Visser, 2011]. CSR 2.0 is managed in such a way as to meet the needs of local consumers, but at the global level, where the aim is to zero littering the environment and uses resources so far overlooked in other concepts of CSR. Easiest access to this kind of resources and ecological knowledge are just NGOs.

C.K. Prahalad pointed to changes in the management of the company, which on the one hand, the result of higher consumer awareness, and thus require an individualized approach to each client. On the other hand, innovation requires companies broad access to resources. Any such change is impossible without social innovation: flexibility, resilient business processes and focused analytics. Cooperation with NGOs is symptom of this tendency in reformulation of the enterprises management.

As opposed to its predecessors focused on averaging products and services, the new management era, which A. Nicholls and A. Murdock [2012] call the social innovation era, creates business models so as to respond to consumers’ needs in as detailed and individualized manner as possible. A. Nichols and A. Murdock define social innovation as a response to the negative social and ecological side effects of the preceding eras. The authors of the “social innovation” term refer to the theoretical and research contribution of C.K. Prahalad, who was the first to observe that the trend shaping the new management era, the era of social innovation, is outsourcing as the common element noticeable in analyses of the business models of different corporations. Outsourcing is omnipresent and used by multiple corporations; it is however special in the
context of the socially engaged corporations as it frequently consists in their collaboration with non-governmental organizations [Prahalad, 2008]. Although the actual term is not used, outsourcing appears in J.E. Austin’s analysis of cross-sector collaboration, where in the described cases of collaboration between socially engaged corporations and NGOs, the corporations were involved in activities that could have been outsourced: the testing of products by NGO personnel, establishing contacts with suppliers, or development of entire distribution channels. “These activities represent the fastest growing marketing expenditure category, pumping around a half-billion dollars into NPO collaborators. Many of these collaborations are the participants’ initial relationships and are not preceded by a philanthropic stage relationship” [Austin, 2000]. In absence of specific relations with non-governmental organizations, such activities might also be carried out on the business to business basis. Own research also confirmed that some corporations outsource specific tasks to third sector entities. This is illustrated by a respondent’s following statement: “We outsource it to ARF as we have corporate accounting and no experts in the settlement of donations, for which reason we receive support from our social partner: every now and then, we ask them over for a review to check and verify the accounts” [own quantitative study, 2013]. J.E. Austin stresses that long-term collaboration with NGOs makes it possible to establish a relationship strong enough to be profitable to both parties. On the basis of various alliances, J.E. Austin analyzed the cross-sectoral relations to find that the most mature and sustainable form of collaboration between the for profit and the not for profit sector is the integrative level, where the cross-sectoral relation

Figure 1. Cooperation factor of innovation
Source: own work based on [Prahalad, 2008, p. 6].
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is a strategic tool used to implement the corporation’s key projects with the NGO – from the corporation’s perspective – accomplishing that corporation’s business objectives, and the corporation – from the NGO’s perspective – accomplishing social objectives. At this level of collaboration, the two parties tend to strongly identify themselves with each other. J.E. Austin also distinguished two other phases: philanthropic and transactional, that may result in the corporation’s reaching the integrative collaboration level. The corporation may also stop at the initial level of collaboration; however, the cases analyzed by J. E. Austin evidence the developmental nature of the business-NGO collaboration. Austin also noted the key role of the corporation’s management in the establishing of alliances between business and social sector organizations. He stresses that the managers must be the authors, legitimizers and motivators of the alliances. Without their initiative and engagement, collaboration will never reach the integrative level. In the light of the theory of J.E. Austin collaboration between business and NGO partners reflects the organizational culture. Cooperation is characterized by a bi-directional impact shaped it in the process of long-term relationships. They are important foundation of organizational collaborative culture.

Collaborative culture depends as well on leaders. Van den Brink classified the stages of development of leaders and organizations which he treated as identical. This means that the leader’s development results in the organization’s development [Van den Brink, 2012]. The consecutive stages of the leader’s and the organization’s development correspond with each other at all levels. Van den Brink observes that the supreme phases of leadership development constitute challenges for 21st century corporations. It is however recommended that such further phases of leadership development be pursued so as to build fully sustainable corporations.

Also the social innovation conception bases on mutual advantages; however, Nicholls and Murdock argue that social innovation is not only required in view of the profits derived by the corporation from collaboration, but may also help remedy market crisis situations [Nicholls, Murdock, 2012]. Of the three types of social innovation, the authors define incremental innovation as the one that helps remedy a diagnosed crisis through elimination of negative side effects and institutional errors occurring on a given market. Incremental innovation focuses on product and service solutions. All examples of application of incremental innovation involve the for profit – not for profit relation, where the market creates the scope for corporations or non-governmental organizations that deliver services and products to consumers who would not purchase such services and products from suppliers whose offer is targeted at developed markets. The BOP [Bottom of the Pyramid, Prahalad, 2009] consumers only become consumers when they get an offer tailored to their needs. As shown by examples described by C.K. Prahalad, relations with non-governmental organizations combined with knowledge of BOP consumers’ needs are required to create a specially tailored product for the new and so far unnoticed BOP customers.
Recapitulation

Cooperation between non-governmental sector and the private sector is a real phenomenon, having different degrees of severity and intensity depending on the market. Surely this is a phenomenon that is currently extensively studied. It is a manifestation of some of the megatrends. Megatrends theory of J. Naisbitt [1982] includes reality as a whole and in general post-industrial society. Cooperation between different organizations trend, such as NGOs and enterprises, is the result of the transition to the network. Although collaboration is a challenge, considering different aims of non-profit and for profit, entities is also an investment in the ability to stay on the market.

First own researches in Poland indicate differences in cooperation between the domestic and the united states market (second was reflected in the Collaboration Continuum model). Nevertheless, the fact is cooperation has global dimension that is used to rapprochement to local costumers. Cooperation became a standard in international corporations. The benefits of cooperation depend on investment in this relation. When the maximum involvement of the company declared benefits are: branding benefits, risk management, cost reduction, staff development, creation and development of new products, entering new markets, the survival of turbulence.

The phenomenon of cooperation between the third sector and business is an effect of following management strategies:

– outsourcing as a widely used management style (C.K. Prahalad);
– the pursuit of innovation in order to maintain enterprise competitiveness and sustainability (A. Murdock, A. Nichols);
– responsiveness (W. Visser).

Selection of management strategies stresses the problem of finding solutions for meeting of present collective (clients, NGO beneficiaries) needs in the light of responsibility for the future generations. Responsiveness is a symptom of a change toward thinking that poor citizens are as well clients. Innovation manifests ability of companies to react quickly on social change and turbulence. Outsourcing indicates ability of sharing tasks and targets. All mentioned above are actual challenges for civil society in sustainable development. Cooperation between such different structures such as enterprises and NGOs is a mean to achieve those challenges.

Intersectoral collaboration presently is a response to the another latest economic theories that take into consideration the redefinition of the company, which is located on the border of sectors [Jackson, 2011] or a social architecture [Prahalad, 2008]. It is still unclear whether any of the new definition of the company will become a new paradigm in economics and management, however, we observe the actual behavior of entities that leads to assumption that cooperation is an important aspect of the development of sustainable organizations. Certainly business-NGO cooperation is an essential element of the sustainability strategy, however it is not known if companies intentionally involve NGOs in the
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actual development and implementation of sustainability strategies or is it benefit from accidental relations. It is also unknown the level of importance of their relations comparing to other stakeholders. These issues require quantitative research. However, given case studies, the latest theories and trends analysis, shows that business-NGO cooperation brings mutual benefits in the field of maintenance in its mission and become essential in long term strategies.

References


