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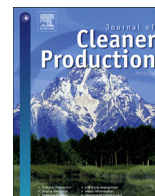


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Cooperation between business and non-governmental organizations to promote sustainable development



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ABSTRACT

International environmental policy has long recognized the role of both the civil and business sectors in the implementation of sustainable development, as reflected by the Earth Summit in 1992 (United Nations Conference on Environment and Development, Rio de Janeiro) and the resulting publication of the Agenda 21 action plan. The importance of civil organizations is also stressed by the European Union's environmental policy, as indicated by, for instance, the Sixth Environmental Action Plan, which was accepted in 2002. Nevertheless, the common understanding of how non-governmental organizations may influence corporate environmental behavior, especially that of small and medium-sized enterprises, remains limited. This paper presents the results of research examining the relationships between non-governmental organizations and businesses based on the stakeholder theory of the firm. The results show that small and medium-sized enterprises rank the importance of different stakeholders similarly to larger businesses and often engage in cooperation with non-governmental organizations. It is also demonstrated that cooperative strategies constitute an important and effective component of non-governmental organizations' behavior toward businesses and that the indirect influence of the civil sector is as important as its direct impact. The results contribute to the development of the stakeholder theory of the firm and help inform practical decision makers about how to improve relationships between business and non-governmental organizations.

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1. Introduction

International environmental policy long ago recognized the role of both the civil and the business sectors in the implementation of sustainable development, as reflected by the Earth Summit in 1992 (United Nations Conference on Environment and Development, Rio de Janeiro) and the resulting publication of the Agenda 21 action plan (UN, 1992). The importance of civil organizations is also highlighted by the European Union's environmental policy, as indicated by, for instance, the Sixth Environmental Action Plan (Decision 1600/2002/EC of the European Parliament and of the Council, 2002). Further, the role of the business sphere was reinforced at the Rio + 20 Corporate Sustainability Forum (Innovation and Collaboration for the Future We Want).

The scientific literature has also recognized the increased importance of non-governmental organizations (NGOs) and has identified several reasons for this phenomenon. First, Hartman et al. (1999) note that environmental problems, which are

becoming increasingly complex, cannot be addressed by governments alone, and different sectors, industry, citizens, NGOs, and other stakeholders, should assume a leadership role in solving the current problems (Hartman et al., 1999). As Maak and Pless note, 'the world's most pressing public problems such as poverty and global warming call for cross-sector solutions' (Maak and Pless, 2009, p. 537).

Taking another perspective, Fassin argues that 'non-governmental organizations (NGOs) and pressure groups have taken up the mission of counterbalancing the huge power of the multinational corporations [...]. As power gives responsibility, NGOs should be seen as having corporate stakeholder responsibility' (Fassin, 2009, p. 503).

Moreover, taking a social learning perspective, Brown and Timmer (2006) argue that civil society actors, such as NGOs, social movements, and advocacy networks, are becoming increasingly important in transnational governance. These authors identify five ways in which transnational civil society can play a role in transnational governance, namely, by '(1) identifying emerging issues, (2) facilitating grassroots voice, (3) building bridges to link diverse stakeholders, (4) amplifying the public visibility and

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importance of issues, and (5) monitoring problem-solving performance' (Brown and Timmer, 2006, p. 6.)

Furthermore, an increasing number of scholars and practitioners suggest that cooperation between the civil and the business sectors can serve as an effective strategy to achieve the goals of sustainable development (see, for example, Kong et al., 2002; Jamali and Keshishian, 2009; practical win–win cases are provided by CCIC, 2001; GEMI, 2008). Accordingly, Reed and Reed (2009) note that partnerships of businesses with government, multilateral bodies, and/or social actors such as NGOs and local community organizations engaged in promoting development are gaining importance worldwide.

Practical solutions contributing to sustainable development such as cleaner production and industrial symbiosis also require the cooperation of different stakeholders. The flow of information, materials and energy between different organizations should be optimized in order to achieve favorable results. For example Corral (2003) lists collaboration with research institutions and with suppliers among the most important determinants of the level of cleaner production implementation. Schliephake et al. (2009) stress the efficiency benefits of partnerships along the supply chain.

In addition, in developing an international business (IB) research agenda, Teegeen further emphasizes the importance of NGOs in global governance and value creation: 'IB researchers should be prepared to study the internationalization of NGOs and examine the international and global strategies, organizing frameworks, international market entry options, and alliance structures of these emerging organizational forms' (Teegeen et al., 2004, p. 477).

A sharp increase in the number of academic articles on NGO–business relations during the last ten years has also been reported by Laasonen et al. (2012), who survey 199 articles in 11 business and society, international business, and management journals and analyze the dominant articulations in the emerging field of scientific inquiry (Laasonen et al., 2012).

This article aims to improve our understanding of how relationships between businesses and NGOs influence corporate greening. Using the results of two empirical investigations, this paper aims to characterize the relationship between small and medium-sized enterprises (SMEs) and environmental NGOs to identify typical interactions and the motives behind them. The focus is on SMEs because their behavior toward stakeholders has not been studied as thoroughly as that of their larger counterparts.

More specifically, insights from SMEs and NGOs will be used to learn about the frequency of partnership arrangements between these two types of organizations; the importance of different collaborative and traditional approaches; the way SMEs evaluate the importance of their stakeholders and, finally, whether direct or indirect stakeholder influence is more important for NGOs to fulfill their roles.

To achieve these objectives, first relevant results are introduced stemming from the stakeholder theory of the firm. This review of the literature provides the basis for two empirical surveys: one on the managerial perspective regarding business-NGO relationships and another on the civil perspective regarding these relationships.

Based on these surveys, SME-NGO relationships can be characterized and SME practices can be contrasted with similar activities in larger organizations. Moreover, by concentrating on the interrelationships between different stakeholders of firms, it is also attempted to add new insights on stakeholder theory as a theory of sustainability management.

The article proceeds as follows: Section 2 provides a critical assessment of the stakeholder theory of the firm in which NGOs are considered to be stakeholders to illustrate the findings and shortcomings of the literature. Section 3 discusses corporate-NGO relationships in the environmental field, and section 4 introduces

four propositions and the empirical research methods used. The results are presented in section 5, while the limitations of the research and the evaluation of the propositions is discussed in section 6. Finally, conclusions discussing the implications of the results are presented in section 7.

2. Stakeholder theory as a theory of sustainability management

According to the stakeholder theory of the firm (Freeman and Reed, 1983), numerous stakeholders affect corporate activities, and company decisions are determined by stakeholder pressure. Thus, within this perspective, organizations must properly address stakeholder expectations originating from their internal and external environments as a precondition of long-term success.

Stakeholder expectations can be understood on a moral basis (see Saravanamuthu, 2006; Vazquez-Brust et al., 2010); hence, beyond having obligations to generate profit for their owners, companies also have social and environmental responsibilities. Stakeholder management, however, can also be interpreted from a more pragmatic, amoral standpoint. In this sense, good relationships with key stakeholders serve companies' long-term profit interests. This view of stakeholder management is consistent with the ideas of Friedman (1970), who regards profit as the ultimate goal of managers.

The stakeholder approach has often been applied to analyze corporate environmental strategies and activities (see Kerekes et al., 1996; Blum-Kusterer and Hussain, 2001; Downey, 2002), occasionally with a focus on improving corporate environmental performance (Kovacs, 2000; Toth, 2003). Indeed, the importance and effects of different stakeholder groups on corporate environmental behavior have been widely researched (for example, Pataki, 2002; Welford, 2004; Bonnafous-Boucher and Porcher, 2010). Stakeholder management is also often related to corporate social responsibility and sustainable company management (Malovics et al., 2008; Pogutz, 2008; Morelli, 2011).

One of the most important contributions of stakeholder theory is the classification of different stakeholders to inform appropriate actions toward them. Clarkson identifies primary stakeholder groups as stakeholders with a direct influence on the continuing success and survival of a company and secondary stakeholder groups as stakeholders that influence companies' success and survival but that are not essential for survival (Clarkson, 1995, see also Lozano, 2011). Henriques and Sadorsky (1999) introduce four major stakeholder groups based on the literature: regulatory stakeholders, organizational stakeholders, community stakeholders, and the media. They then characterize the importance of each group by using a conceptual classification of firms based on their environmental strategies. Mitchell et al. (1997) classify stakeholders according to their power to influence the firm, the legitimacy of their relationship with the firm, and the urgency of their claim.

While these classifications may be used to enhance the relationships between business organizations and stakeholders, they still inevitably reflect a degree of generalization.

Several authors (see Starik, 1995; Haigh and Griffiths, 2009; Laine, 2010) have approached the natural environment as a separate stakeholder. However, the natural environment cannot represent its own interests, so this paper adopts a more practical approach: the natural environment is not considered a separate stakeholder, but environmental interests are met through the expectations of different stakeholders – regarding the natural environment – on companies.

The following table provides an overview of the environmental expectations of the most important stakeholder groups based on

Table 1
Environmental expectations of the most important stakeholder groups (based on Kestemont and Ytterhus eds., 1997 and Vazquez et al., 2010).

Stakeholder group	Focus of environmental expectations	Reactions in case of non-compliance
Owners	<ul style="list-style-type: none"> • Impacts of environmental protection on corporate profitability and value • Avoidance of accidents, fines, and scandals caused by the company's inadequate environmental performance 	<ul style="list-style-type: none"> • Pressuring managers or dismissing them • Selling shares, withdrawing capital
Managers	<ul style="list-style-type: none"> • Impacts of environmental activities on the realization of strategic goals • Financial aspects of environmental activities (sales, costs) • Impacts of environmental protection on other key indicators (market share, reputation, etc.) 	<ul style="list-style-type: none"> • Reducing motivation • Protesting • Exiting
Non-management employees	<ul style="list-style-type: none"> • Working conditions (environmental and health risks, risk of accidents, etc.) • Possible exemplary activity of the company (for more environmentally conscious employees) 	<ul style="list-style-type: none"> • Decreasing performance • Reducing motivation • Protesting • exiting
Consumers	<ul style="list-style-type: none"> • Possible negative environmental impacts or risks during the use of the product/service (hazardous compounds, etc.) • Negative environmental impacts during other phases of the product life cycle (production, transportation, waste management, etc.) 	<ul style="list-style-type: none"> • Ceasing purchasing the specific good • Boycotting the entire company
Institutional customers	<ul style="list-style-type: none"> • Impacts of corporate environmental activities on the quality of the products and services of the company • Impacts of corporate environmental activities on the company's and its partners' reputation 	<ul style="list-style-type: none"> • Requesting discounts/compensation • Suspending cooperation
Creditors/banks/ insurance companies	<ul style="list-style-type: none"> • Impacts of environmental protection on corporate profitability • Impacts of environmental risks on financial stability, liquidity, and chances for survival 	<ul style="list-style-type: none"> • Providing less favorable conditions for financing the company • Implementing higher insurance fees • suspending/refusing cooperation • Imposing fines/penalties • Suspending/refusing permission to operate
Regulating authorities (Environmental) NGOs	<ul style="list-style-type: none"> • Regulatory compliance • State of the environment • Environmental characteristics of products and services • Environmental impacts of company activities • State of the environment • Environmental responsibility of the company 	<ul style="list-style-type: none"> • Conducting demonstrations • Influencing other stakeholders (and the broader public opinion)
Local residents	<ul style="list-style-type: none"> • Environmental impacts of company activities • State of the environment on a local level 	<ul style="list-style-type: none"> • Creating public notices • Conducting demonstrations • Requesting demand for compensation

the literature (specific groups can be divided into sub-groups or further groups can be identified).

Table 1 shows that various stakeholder groups have notably different expectations regarding the environmental activities of companies. For example, even the expectations of organizations from the civil sector are often divergent: local circumstances constitute a key factor driving differences in stakeholder expectations, and the priorities of local and international civil organizations may differ further (Veser, 2004). During decision making, companies balance the importance and strength of stakeholder groups. For instance, within Clarkson's classification (Clarkson, 1995), organizations will eventually collapse if primary stakeholders (e.g., managers, employees, and customers) are continuously dissatisfied and if they exit the system. However, while secondary stakeholders (which may include civil organizations and local residents) may influence company activities considerably, they usually do not threaten the existence of corporations. The importance of green NGOs increases, however, if a company is adopting strategies aimed at leadership in pollution prevention and/or environmental protection (Buyse and Verbeke, 2003).

Companies may aim to be 'good across the board' by trying to satisfy as many stakeholders as possible (Murillo-Luna et al., 2008; Vazquez-Brust et al., 2010), but most organizations appear to be able to differentiate between stakeholders, as indicated by an important stream of stakeholder research. Table 2 provides a summary of the results of six relevant surveys administered to company managers.

While the various surveys focus on different stakeholder groups¹ and use different scales to measure their importance, the

results are generally quite similar. National/regulatory authorities were nearly always ranked at the top of the priority list, whereas financial institutions were generally ranked lower. Representatives of civil society – primarily civil organizations and local residential groups – were ranked in the middle with respect to their influence on corporations. The survey results indicate that even if the civil sector does not include the most important stakeholders with respect to the environmental behavior of companies, their influence is not negligible compared to that of other stakeholders. Indeed, beyond their direct influence, their indirect influence (their potential to influence the expectations of other key stakeholders, such as customers, regulating authorities, and competitors) can further increase their weight in decision making regarding corporate environmental activities (Frooman, 1999). Efforts to raise awareness and provide environmental education also play a key role in the civil sector's indirect influence (Csutora, 2012; Mozner et al., 2012; Zsoka et al., 2013). NGO networks can also improve the sustainability performance of supply chains (Benedek et al., 2013).

The results of these surveys are consistent with the proposition of Mitchell et al. (1997) introduced earlier regarding classes of stakeholders. According to their stakeholder categorization, power, legitimacy, and urgency are the three primary attributes that determine corporate action. Their initial model has been revised by Neville et al. (2011), who examines the role of urgency and the different interpretations of legitimacy. These authors conclude that 'stakeholder salience is the prioritization of stakeholder claims by managers based on their perception of the degree of power of the stakeholder and the degree of moral legitimacy and urgency of the claim' (Neville et al., 2011).

While environmental NGOs and their claims are often legitimate, NGOs sometimes lack the power to influence business organizations. When most active, however, their claims can become

¹ In some cases, even impersonal factors (such as technology or organizational change) are regarded as 'stakeholders'. These factors were excluded from the table.

Table 2
Importance of stakeholders based on their pressure on corporate environmental activities.

Author	Belz and Strannegard (1997)	Kestemont and Ytterhus (eds.) (1997)	Blum-Kusterer and Hussain (2001)	Kerekes et al. (2003)	Vazquez et al. (2010)
Year of research	1995	1997	1999	2003	2005–2006
Sample size	Couple hundred companies	2920	32	466	505
Sample features	Manufacturing industry, Europe	Manufacturing industry, Europe	Pharmaceutical industry, Great Britain and Germany	Manufacturing industry, Hungary	'Environmentally harmful' industries, Argentina
Importance of stakeholders (in descending order)	National authorities International regulatory mechanisms Owners customers/ Consumers employees and their organizations Environmental organizations Local NGOs Press/media Consumer organizations competitors scientific institutions Suppliers Distributors Financial institutions	National authorities Managers Customers/ Consumers International regulators Owners Non-mgmt employees Local population Environmental organizations Press/media Competitors Insurance companies Labor unions Consumer organizations Distributors Scientific institutions Suppliers Banks	National and EU authorities Consumers Employees Customers (domestic) Customers (international) Owners Competitors (domestic) International Regulators Insurance companies Distributors local communities Competitors (international) NGOs Industrial associations Suppliers Financial institutions	Regulatory authorities Corporate headquarters Managers Commercial customers Owners and investors Local community groups Environmental organizations Suppliers Household consumers Non-mgmt employees Banks and other creditors Industrial and trade associations Labor unions	Managers Regulatory authorities Customers/ consumers Local residents environmental organizations Corporate environmental professionals Insurance companies courts Non-mgmt employees Owners Industrial associations Corporate marketing/ PR Professionals Corporate headquarters Lawyers Suppliers Banks Distributors

urgent (i.e., important and time sensitive). In such cases, as Mitchell et al. (1997) propose and the empirical results introduced above demonstrate, stakeholder salience will be moderate. Mitchell et al. (1997) call stakeholders with legitimacy and urgency but a lack of power 'dependent stakeholders' 'because these stakeholders depend upon others (other stakeholders or the firm's managers) for the power necessary to carry out their will' (Mitchell et al., 1997, p. 877).

This observation raises another important issue, namely, the complexity of the interactions between stakeholders, which Neville and Menguc (2006) call 'multiplicity' (based on earlier work by Oliver, 1991). These authors define multiplicity as 'the degree of multiple, conflicting, complementary, or cooperative stakeholder claims made to an organization' and use three different forms of fit to operationalize the notion of stakeholder multiplicity: fit as matching, fit as moderation, and fit as gestalts. According to the authors, fit as matching refers to the direction (agreement) of the claims of stakeholders, fit as moderation refers to the strength of the claims of different stakeholders, and fit as gestalts refers to the synergies of the claims of different stakeholders. Neville and Menguc (2006) form a number of propositions related to individual and interacting stakeholder claims along these forms of fit with respect to businesses' corporate social responsibility activities. Examining three distinct types of stakeholders, the authors hypothesize that governments usually have more power than customers, who in turn have stronger claims than employees. The authors further propose that 'as the salience of one stakeholder group's claim increases, the effect of the salience of other complementary stakeholder groups' claims on CSR will increase' and that 'as the salience of two or more stakeholders' claims (government, customers, and/or employees) increasingly resembles gestalts, total salience increases synergistically, resulting in greater CSR'. Neville et al. conclude that understanding the interactions between stakeholders is vital to improve strategic business decisions and that research in this direction has considerable potential.

Starik and Kanashiro (2013) draw a similar conclusion when attempting to lay the foundations for a genuine theory of sustainability management. They argue that the different theories explaining corporate environmental activities have a number of shortcomings:

'Despite the increasing importance of sustainability in the management literature, theoretical development in sustainability has yet to yield a model that fully acknowledges: the changing organization-and-environment field and its implications in the long term; the interdependence and integration of relationships of humans, organizations, and society; and the paradoxical demands inherent in a dynamic society' (Starik and Kanashiro, 2013). Regarding stakeholder theory, they argue that the connections between the different stakeholders and the result of such interrelationships are usually overlooked; thus, the unit of analysis should be shifted to systems of stakeholders that include future generations and non-human nature.

To achieve its objectives, this paper focuses on one specific field of stakeholder relationships, namely, the relationship between businesses and NGOs that are active in the environmental field. The following section further discusses this topic before the details and results of the research are presented in the final sections.

3. Business-NGO relationships

When examining the relationship between businesses and NGOs, the literature often focuses on potential strategies pursued by these two types of organizations. Two distinct strategies generally emerge from practice, namely, confrontation and cooperation, both of which are characterized by a number of benefits and drawbacks from the point of view of their participants and society overall.

Frooman (1999) provides one of the first attempts to systematically characterize stakeholder strategies by searching for the different types of influence strategies and the determinants of the

choice of influence strategy. Taking a resource dependency theory perspective, Frooman argues that stakeholders can adopt four different influence strategies: direct withholding, indirect withholding, direct usage, and indirect usage. The author further suggests that the balance of power implied by the relationship between the company and its stakeholders determines which of the strategy types a stakeholder will use (Frooman, 1999).

According to Scholte (2000), the traditional aim of civil strategies is to counterweight the anomalies of profit-maximizing corporate behavior. Such strategies are motivated by the assumption that because of globalization, companies – especially transnational corporations – have gained extraordinary power and thereby the ability to modify rules and even legislation to support their own interests. Further, company values are assumed to solely serve profit maximizing objectives, and the rest of society (including the civil sector) is assumed to have no control over these values. Indeed, ‘traditional’ or confrontational civil strategies usually regard companies as opponents, as incorrigible organizations that can only be influenced by external constraints (Unerman and O'Dwyer, 2006; Valor and de Diego, 2009).

If this assumption holds, the only opportunity available for the civil sector is to develop and enforce fair rules, which can be implemented directly by placing pressure on companies (demonstrations, legal cases) or indirectly by participating in legislative processes (commenting on draft regulations, submitting new proposals, lobbying, and engaging in other professional activities) or by influencing consumers and other stakeholders (engaging in boycotts, consumer campaigns, etc.).

A number of arguments for confrontational strategies are identified in the literature (e.g., Kong et al., 2002; CCIC, 2001):

- **Treatment of substantial problems at their roots:** In the case of environmental and social problems – primarily emerging due to market liberalization and irresponsible corporate behavior – all means and tools must be used to pressure companies and those who create the framework within which they operate.
- **Required forceful actions:** If NGOs want to affect corporate behavior, they must use tools and a language that corporations understand. Confrontation can play an important role in seizing public – and corporate – attention. Even dialogue with corporations can be more effective from an NGO perspective if there is a forceful plan B in the hands of the civil organization.
- **Incompatible values:** Because of a huge gap between the values, goals, and tools of the civil and the corporate sphere, opportunities for dialogue and partnership are often rather rare. In such a case, only confrontation can be regarded as a potentially effective strategy for achieving civil goals.
- **Control of regulators:** Governments and authorities have the responsibility to regulate the private sector in a way that also considers societal interests. If this process does not work properly, NGOs need to remind regulators of this responsibility.

Arguments against the confrontational approach are also proposed (CCIC, 2001; Kong et al., 2002):

- **Shortsightedness:** Confrontation can bring only short-term changes in corporate behavior. Fundamental changes and long-term success may only be achieved through cooperation based on mutual recognition and dialogue.
- **Black and white picture:** Supporters of confrontation regard corporations as the cause of environmental problems. They do not recognize their role in providing resources to solve these problems by creating jobs and paying taxes.
- **Unintended impacts:** Through confrontation, NGOs may harm the interests of the parties they claim to represent. If

multinational companies with production facilities in a developing country are boycotted, workers in these companies may lose their jobs. By imposing western standards for fair working conditions on developing nations, these countries' greatest competitive advantage is removed, and social tensions increase the difficulty of finding a solution for environmental problems.

- **Opportunity costs:** Engaging in criticism is very important, but if it goes too far, NGOs may miss potential cooperation opportunities with the private sector. Businesses have the resources – and sometimes even the will – to actively participate in solving environmental or social problems.

Historically, confrontational strategies have been very important and useful for establishing the weight of the civil sector in environmental debates; however, evidence from practice suggests that confrontation alone leads only to limited success (see Kong et al., 2002). Therefore, cooperation and partnerships between civil organizations and business organizations are being increasingly used to supplement or replace confrontational strategies. Within this approach, partnerships are based on supplying joint resources and capitalizing on the respective competences and strengths of both types of organizations (Jamali and Keshishian, 2009; Imparato, 2010) to provide solutions to environmental and social problems.

On the one hand, the business sector is essential for creating material and financial resources for society, but it may lack expertise on how to minimize its ecological footprint. On the other hand, environmental NGOs may possess the tools and knowledge to help control and decrease the negative environmental impacts of businesses. As Kaptein and van Tulder (2003) state, *partnerships can generate notable added value with relatively little investment*. Managers may think in conventional patterns and may fail to recognize when their customers or their final consumers have become more environmentally conscious and have increased their expectations regarding environmental matters. With a credible appearance, civil organizations may enhance corporate awareness of the compatibility between environmentally sound business operations and profit expectations.

In opposition to mainstream management practices, corporate-civil partnerships may provide alternative solutions to sustainability-related problems (for example, Reed and Reed, 2009; Wadham, 2009; Dahan et al., 2010). These models enable participants to find solutions for problems – in the developed and the developing world alike – that otherwise would not be possible in the present legal environment (Kennedy et al., 1998). However, regarding the civil engagements of a major tobacco manufacturer (see, for example, Payne, 2006), suspicion may arise about the intent to legitimize socially and environmentally debated corporate activities.

The literature has identified various forms of partnerships, including engagement in projects, engagement in knowledge and information transfer, participation in environmental and social assessment and consultation processes, the development of tools to help measure corporate environmental impacts, engagement in professional and sectoral councils to develop voluntary standards or guidelines, and engagement in fundraising from the business sector (see GEMI-EDF, 2008, CCIC, 2001 or Schiller, 2005).

Cooperation can be a mutually beneficial strategy for organizations in both the corporate and the civil sectors. However, both sides need to thoroughly evaluate the opportunities and risks. Potential benefits and drawbacks of partnerships have been extensively researched in the literature (in addition to earlier references to partnerships, see Jonker and Nijhof, 2006; Seitani and Crane, 2009; Kourula, 2010).

Specifically, partnerships may bring the following benefits to corporations according to the literature (Kaptein and van Tulder, 2003; Lafrance and Lehmann, 2005; Mantel et al., 2007): provide access to expertise, increase brand image and credibility, improve media and public relations, provide financial and market opportunities, and neutralize offences by the members of civil society.

Civil partnerships, however, also pose threats to corporations. The main potential drawbacks include identifying an inappropriate partner, wasting resources (time and money), allowing information leakage, and gaining negative media during the process and/or after the failure of the project.

Moreover, partnerships provide opportunities for civil organizations (in addition to earlier references, see Oliver, 1990; Fowler and Heap, 1998; Peterson, 2010), including easier access to financial resources, access to management and other professional knowledge, an improved understanding of corporate operating mechanisms, an opportunity to influence/change entire industries, the ability to test pilot solutions, and improved credibility.

Partnerships may nevertheless raise risks for and pose threats to participating civil organizations, such as wasting time and other resources, diminishing credibility, supporting the greenwashing activities of corporations, increasing bureaucracy, and inducing potential changes in organizational culture.

Samii et al. (2002) highlight several requirements for effective partnerships, the most important of which are as follows:

- **Resource dependency** (partners realize that what can be achieved together cannot be achieved separately);
- **Commitment** (partners are willing to share their resources);
- **Overlapping goals** (partnership can provide clear advantages to both partners);
- **Converging work cultures** (partners do not have to be the same but should not exclude cooperation);
- **Intensive communication** (partners engage in regular communication through various channels and means).

Attempts to establish partnerships also have many pitfalls. Failure is often due to a lack of trust and confidence (from the partners themselves or from the outside world). If a company with an extensive record of confrontation seeks to engage in partnerships with NGOs, stakeholders may simply consider such partnerships to be PR trickery. To some extent, this type of distrust led to the failure to establish partnerships in the British nuclear industry (Perret, 2003) and in a banana-producing multinational organizations (Wicki and van der Kaaij, 2007). Wicki and van der Kaaij (2007) claim that substantial changes in corporate behavior can create suspicion and thus recommend leapfrogging (and effective communication from the start) to overcome this type of 'authenticity gap'. Fowler and Heap (1998) stresses the importance of overcoming *organizational resistance* emerging on many organizational levels.

The relevant literature offers guidance and practical evidence regarding how to prepare, execute, and maintain successful corporate-NGO partnerships. The GEMI-EDF (2008) guide covers numerous case studies, and further examples can be found in Buchanan (2001), Damlamian (2006), or Flores and Pavia (2008).

4. Research questions and methods

The previous sections provided a critical assessment of the stakeholder theory of the firm and closely examined how NGOs can affect corporate environmental performance. Further, potential NGO strategies were reviewed, and the opportunities and risks associated with NGO strategies were highlighted.

Based on the previous literature review, the literature appears to primarily focus on the relationship between large, usually multinational, organizations and their stakeholders, whereas smaller business organizations are generally neglected in stakeholder research. Addressing this deficiency of the literature is important because, on the one hand, SMEs play an important role in sustainability and, on the other hand, their stakeholder relationships can reasonably be expected to differ from those of their larger counterparts. For this reason, the analysis of SME-stakeholder relationships should be placed on the research agenda.

Given these developments and shortcomings of the literature, the following propositions were developed at the outset of this research:

Proposition 1. SMEs do not often engage in relationships with NGOs because they do not consider such interaction beneficial.

Proposition 2. In SME-NGO relationships, cooperative strategies are as important as more traditional, confrontational approaches.

Proposition 3. SMEs evaluate the importance of their stakeholders differently from their larger, multinational counterparts.

Proposition 4. The influence of NGOs on business organizations through other stakeholders (i.e., their indirect influence) is at least as important as their direct impact.

Propositions 1 and 3 refer to the size of organizations as a moderating factor in their involvement with NGOs. Proposition 2 focuses on the importance and motivating factors of cooperative and confrontational SME strategies toward NGOs, while Proposition 4 aims to provide information regarding how NGOs can most effectively influence the business sector.

To analyze these propositions, a research methodology consisting of three major parts was used.

First, a workshop for corporate and environmental NGO professionals was organized during summer 2010 at the Corvinus University of Budapest with 60 participants (about equal proportions of NGO members, corporate professionals, and academics). The workshop served as an exploratory tool: the concepts and the practical understanding of potential NGO strategies toward businesses were discussed. The most important outcome of the workshop was the identification of a framework for the potential and actual contribution of NGOs to the greening of business, which was used to define survey questions (see below).

Based on the results of the exploratory workshop, two surveys with the following foci were conducted:

- the (both potential and actual) role of NGOs in the corporate greening process;
- the opportunities and risks of corporate-NGO cooperation;
- the experiences of businesses and NGOs regarding cooperation.

The first questionnaire was sent to Hungarian SMEs using an online survey tool. The sampling was random among these businesses, which each achieved the equivalent of at least USD 5000 turnover in 2009. Responses were voluntary and anonymous. The on-line survey was sent to approximately 10,000 SMEs, and altogether 302 useable questionnaires were gathered. Although this return rate is low, the sample was nevertheless sufficiently large for analysis. Table 3 provides a brief overview of the SME sample.

The second survey was implemented among Hungarian environmental NGOs between November 2010 and March 2011. First, a comprehensive list of 190 NGOs containing information on the most active civil organizations in recent years in Hungary was created. Before questionnaires were sent to these organizations, they were contacted by phone to introduce the objectives of the

Table 3
Overview of the SME sample ($N = 302$, responses in %).

Sector	Number of employees		Turnover		Changes in turnover (last 3 years)		Business performance (last 3 years)		
Agriculture	2	1–10	32	1–50 MHUF	11	Substantially increased	3	Substantial profit	7
Manufacturing	22	11–50	30	51–100 MHUF	9	Increased	16	Small profit	37
Construction	12	51–100	5	101 MHUF-1 billion HUF	34	Stayed the same	16	Break even	15
Other industry	2	101–250	10	1.1–10 billion HUF	12	Decreased	29	Small losses	12
Transport & trade	13	Missing	23	Missing	34	Significantly decreased	12	Significant losses	6
Information & communication	9					Missing	24	Missing	23
Other service	19								
Missing	21								
Total	100	Total	100	Total	100	Total	100	Total	100

survey. Because of this initial communication, 54 of the NGOs completed the questionnaires: 24 based in Budapest, 7 in county capitals, 14 at smaller settlements, and 9 in undisclosed locations (i.e., this information was missing). The majority of Budapest-based NGOs conducted not only local but also national or, in many cases, international activities. The core activities of all the surveyed NGOs at least partly (and in many cases fully) concerned environmental activities (e.g., nature conservation, protection of built environment, and environmental education) and occasionally included additional activities (e.g., cultural heritage conservation, promotion of healthy lifestyles, and encouragement of civic participation). While the sample size is small, the 190 initially identified NGOs constitute most of the environmental organizations that are active in the country. Thus, the 54 responding NGOs can be assumed to represent the population well (caution has nevertheless been applied when drawing general conclusions during the data analysis).

The two questionnaires shared a similar structure to facilitate comparison between SMEs and NGOs. The primary sections of the questionnaires were as follows:

- potential and actual contribution of the civil sector to the improvement of corporate environmental performance (measured on a 5-point Likert scale);
- influence of different stakeholders on the environmental activities of the organization (in the SME questionnaire only, measured on a 3-point Likert scale);
- advantages and threats of cooperating with the business sector (in the NGO questionnaire only, measured on a 5-point Likert scale);
- earlier experience with confrontation or cooperation with NGOs or businesses (open questions).

Table 4
Potential and actual contributions of the civil sector to the improvement of corporate environmental performance according to SME representatives (measured on a 5-point Likert scale from 1 – not at all important to 5 – very important).

	Potential contribution		Actual performance	
	Mean	Std. dev.	Mean	Std. dev.
Discrediting irresponsible companies	3.88	1.33	2.32	1.11
Participating in legislation	3.61	1.21	2.10	0.96
Increasing consumer awareness	4.42	0.85	2.67	1.02
Engaging in shared projects with companies	3.62	1.14	2.03	1.00
Educating corporate professionals	3.72	1.09	2.24	1.07
Civil sector on the whole	3.67	1.01	2.36	0.90

The general manager or the leader of the organization was asked to answer the questions; otherwise, a person with a good overview of the activities and the social embeddedness of the organization was asked to complete the questionnaire. The limitations of the empirical research (reliability, validity, and generalizability) are discussed in section 6.

5. Survey results

This section provides an overview of the two conducted surveys; the two subsections cover the results based on the SME and the NGO questionnaires separately.

5.1. The SME questionnaire

Based on the review of the literature and discussions with both NGO and SME representatives during the initial workshop, five distinct types of typical NGO activities were identified: (1) discrediting irresponsible companies, (2) educating corporate professionals, (3) participating in legislative actions, (4) increasing consumer awareness, and (5) *engaging in shared environmental and community projects with companies*. The first two types of activities target businesses directly, while the third and fourth types of activities are indirect means used by NGOs. The fifth type of action has both a direct and an indirect effect on company operations.

Examination of these potential activities from a strategic choice point of view shows that the second and fifth types of activities assume some type of cooperation between the parties and that first type of action represents a typical confrontational strategy.

Table 4 provides an overview of the SME responses regarding the potential and actual contributions of NGOs with respect to the most characteristic activities.

The responses show that the SME representatives evaluated the potential role of NGOs rather positively (all means are higher than 3) in all types of NGO activities. The best opportunities were attributed to raising consumer awareness (61% of respondents rated this activity as 'very important – 5'). Additionally, discrediting irresponsible companies as a potential opportunity was deemed to be important (with 48% selecting 'very important – 5').

The potential civil contribution to the corporate greening process was also positively rated for the other types of activities. The share of positive feedback ('4' or '5' responses) was approximately 55%–60%, while negative ratings ('1' or '2' responses) accounted only for 10%–20%. Note that similar responses were received for the two types of cooperative strategies (i.e., engaging in shared projects with companies and educating corporate professionals). These responses show that businesses recognize great potential for NGOs in the greening of business processes, with somewhat less potential recognized for activities that require more professional experience.

The respondents' evaluations of current practices differ significantly from their evaluations of potential practices, as NGOs' actual activities were evaluated much less favorably than their potential activities. According to 65–75% of the respondents, NGOs perform poorly ('1' or '2') in most areas, with 25–35% of the respondents believing that civil organizations do not contribute to the corporate greening process at all (share of '1' responses). The only type of activity that received a less negative evaluation was the role of NGOs in improving consumer awareness (46% evaluating this activity poorly, with 10% selecting no contribution at all). Good ratings ('4' or '5') only account for 9–17% of the responses for the various types of activities. Based on these data, the overall evaluation of actual civil sector activities is unsurprisingly also rather negative (65% of responses indicate poor performance, and only 9% of overall ratings are positive).

The responses of the SMEs suggest that NGOs may have remarkable potential for improving corporate environmental behavior but that in current practice, they are not yet meeting this potential. Below, this gap between potential and actual activities is examined from the civil perspective as well.

Table 5 summarizes the perceived importance of the different stakeholder groups, including civil organizations (highlighted by italics) on their environmental behavior as identified by the respondent enterprises.

The table shows that SMEs rank NGOs somewhere in the middle with respect to stakeholder influence, with a slightly stronger than average influence on company activities. These results appear to be consistent with research findings cited earlier (see Table 2) showing that even if NGOs are not among SMEs' key stakeholders, NGOs do not have a negligible influence on SMEs' environmental behavior.

While the literature rarely studies SME activity toward environmental NGOs, the results show that a relatively high share of enterprises (26.7% of those providing a valid response) have already cooperated with NGOs. Many of these activities were related to the provision of resources to support the activities of civil organizations, but other activities were also often mentioned:

- providing financial support (sponsorship);
- volunteering for NGOs;
- organizing workshops and other events for NGOs;
- providing professional support for NGO activities.

Undoubtedly, all of these activities are forms of cooperation from which both NGOs and companies may benefit. For example, companies may increase their reputation, but in most cases,

Table 5
The influence of different stakeholders on the environmental activities of respondents (measured on a 3-point Likert scale: 1 – not important, 2 – moderately important, 3 – very important).

	Mean	Std. deviation
Regulating authorities	2.59	.607
Managers	2.29	.765
Commercial buyers	2.25	.744
Corporate headquarters	2.13	.857
Suppliers	2.11	.754
<i>Local community groups</i>	2.08	.721
<i>Environmental organizations</i>	2.03	.749
Non-management employees	1.99	.734
Consumers (households)	1.98	.831
Industrial and trade associations	1.76	.730
Owners	1.71	.809
Banks/creditors	1.53	.745
Labor unions	1.39	.618

increasing company reputation does not appear to be the main driver behind corporate support of NGOs: responses to the open questions suggest that *the personal commitment of the owner or leader of the enterprise is much more important*.

Other direct benefits realized by participating companies were as follows:

- participation in joint communication campaigns with NGOs;
- participation in the formation of (local) development agendas together with civil organizations;
- use of the consultancy services of NGOs;
- engagement in bartering (e.g., infrastructural support for the local non-profit television channel in return for free advertising space);
- help from NGOs in entering new contracts.

These examples show that corporate partnerships with NGOs are founded on value-based management philosophies or charity and that cooperation may even offer short-term, financially quantifiable benefits to participating enterprises.

The respondents provided a number of reasons why they do not cooperate with NGOs:

- lack of resources (financial and human), especially in the case of micro-enterprises;
- existence of financial problems (focus on survival);
- uncertain return on investment (where cooperation is regarded as an investment);
- negative evaluation of NGO activities;
- negative earlier experience with cooperation.

Only a few of the respondents (3.5% of those providing a valid response to this question) reported experiencing some type of confrontation with civil organizations. Some interesting practical examples based on the responses are as follows:

- failed company projects (e.g., a corporate investment project, which was environmentally friendly according to the enterprise, could not be realized because of NGO protests on public forums);
- excessive demands by NGOs (requesting support too often and too forcefully);
- causeless discrediting by NGOs;
- insufficient professionalism on the part of civil organizations.

The number of conflicts reported may be low for several reasons. Because of their size, SMEs are usually not salient to NGOs, which prefer to focus on large corporations. Furthermore, SMEs' deeper local embeddedness may also lead them to behave more responsibly. Finally, some respondents may have considered their conflicts with NGOs to be confidential, and consequently, they may not have shared this information.

The responding SMEs participated relatively often in local initiatives (in 53 cases, which account for 30% of valid responses to this question). The areas primarily overlap with the activities related to supporting NGOs discussed earlier (sponsorship, volunteering, etc.). Some common activities within these initiatives are as follows:

- supporting sport, cultural, and other events;
- supporting schools;
- supporting or actively participating in activities aiming to improve the quality of life in a settlement (afforestation, creating parks or trails, etc.);
- financially and professionally supporting local municipalities.

5.2. The NGO questionnaire

After providing an overview of the SME responses, it is examined how NGOs evaluated their own role in influencing corporate environmental behavior. The responses were again measured on 5-point Likert scales (Table 6).

Similar to the SME representatives in the sample, NGO professionals appear to have an overall positive evaluation of their potential in the corporate greening process. For most types of activities (participating in legislation, improving consumer awareness, engaging in shared projects with companies, or educating of corporate professionals), 57–75% of the respondents evaluated the opportunities as having stronger than average potential ('4' or '5' responses), whereas 'poor' evaluations ('1' or '2' responses) accounted for only 5–10% of the responses.

The only exception was the controversial rating of opportunities regarding discrediting irresponsible corporations. In this case, the evaluations were rather polarized, with 38% assessing the potential for opportunities as stronger than average and 28% as weaker than average. These results are consistent with the divergent positions that emerged at the initial workshop for company and NGO representatives during the course of this research. A remarkable number of NGOs prefer to avoid conflicts with businesses and recognize cooperation as the main opportunity to influence corporate behavior. Moreover, another distinct group emerges consisting of civil organizations that – even if they appreciate the potential of partnerships – consider confrontation to be a necessary tool for addressing unacceptable corporate behavior. Some NGOs even believe that cooperation can be considered a 'pact with corporations' that would discredit their other activities that they engage in. These NGOs consider themselves to be actors of social control and thus consider boycotting and discrediting businesses to be acceptable tools.

Contrary to their potential role, NGOs' ratings of their actual performance were much more negative and varied. For most types of activities, ratings below the midpoint (less than 3 on the 5-point Likert scale) were more common than ratings above the midpoint. The only exception was improving consumer awareness; in this case, only 24% of respondents provided ratings below the midpoint, whereas 43% provided ratings higher than the midpoint. The overall evaluation of the NGO sector was also relatively negative, with more negative than positive ratings (34% and 19%, respectively).

Above, an overview of the advantages and risks of corporate-NGO cooperation based on the literature was provided. Figs. 1 and 2 summarize the opinions of the responding NGOs in the research sample by highlighting the share of responses that evaluate a specific feature as 'important' or 'very important'. The

Table 6

Potential and actual contributions of the civil sector to the improvement of corporate environmental performance based on NGO opinions (1 – not at all important, 2 – slightly important, 3 – moderately important, 4 – important, 5 – very important).

	Potential contribution		Actual performance	
	Mean	Std. dev.	Mean	Std. dev.
Discrediting irresponsible companies	3.19	1.08	2.70	1.04
Participating in legislation	3.78	1.02	2.54	0.79
Increasing consumer awareness	4.25	1.00	3.28	1.05
Engaging in shared projects with companies	3.89	0.86	2.69	0.91
Educating corporate professionals	3.78	0.96	2.60	0.99
Civil sector on the whole	3.57	0.84	2.87	0.84

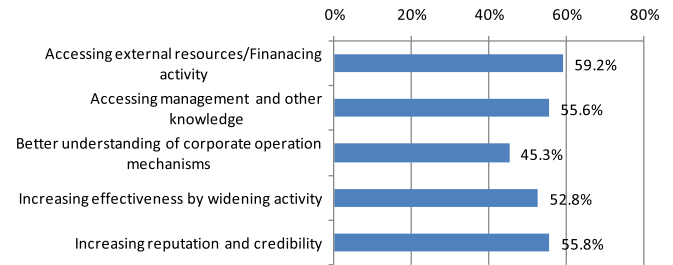


Fig. 1. Advantages of cooperation for NGOs – share of responses evaluating the potential for opportunities as stronger than average.

original questions were scored on a 5-point Likert scale (1 – not important, 2 – slightly important, 3 – moderately important, 4 – important, 5 – very important).

More than half of the responding NGOs (53–59% for most types of activities) assessed the potential for the various advantages of cooperation as stronger than average. The only exception was gaining a better understanding of corporate operations, although more than 45% of the ratings were still positive. Only 20–25% of respondents evaluated the potential for the various advantages regarding cooperation as weaker than average.

The evaluation of potential threats was much more polarized. Decreasing independence and losing credibility were the two risks that were rated as most important (with 58% and 51% of respondents considering them to be stronger than average threats, respectively). The issue of credibility even divided the responding NGOs. On the one hand, many NGOs believe that as a cooperating partner, their credibility among the public will increase, whereas others appear to have an aversion toward partnerships because they fear losing credibility. Wasting resources and experiencing negative changes in organizational culture because of partnerships with businesses were not considered to be important issues (only 24.5% and 22.5% of respondents viewed them as stronger than average risks, respectively).

Almost 60% of the NGOs in the sample have already cooperated with businesses (irrespective of their size). The higher proportion of cooperating NGOs compared to cooperating SMEs is not surprising, as green NGOs need to rely more heavily on cooperation with businesses to fulfill their core objectives than companies.

The characteristics of cooperation and the mutual benefits for the participants are also interesting. Contrary to the experiences of the SMEs, the partnership consisted solely of the NGO receiving financial resources or other support from corporations in only one case. Most examples suggest that corporate-NGO cooperation can also provide direct benefits to corporate partners.

The most important benefit gained by NGOs was better access to financial resources, enabling them to efficiently increase the scope of their core activities. Increasing reputation as a success factor to

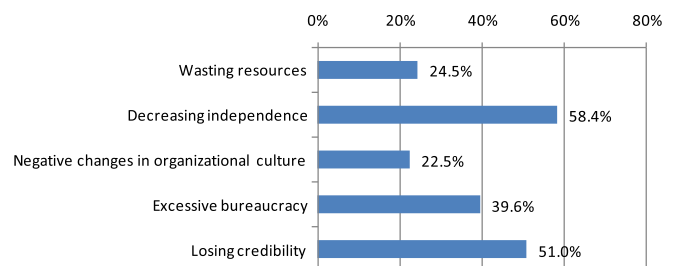


Fig. 2. Threats of cooperation for NGOs – share of responses evaluating risks of cooperation as stronger than average.

improve effectiveness in the future was also a common actual benefit. These results support the findings shown in Fig. 1. However, the experience of NGOs does not support the assumption that civil organizations actively seek to gain a better understanding of corporate operating mechanisms.

The *primary advantages of partnerships for corporate partners* (as perceived by the NGOs) included *improving company reputation, gaining access to expertise in specific fields, increasing legitimization, providing advertising opportunities, and inducing positive changes in corporate culture.*

A remarkable number of the NGOs in the sample had already had confrontations with companies. Without being exhaustive, some major reasons for these conflicts according to the NGOs are as follows:

- corporate (municipal) projects threatening natural capital;
- corporate activities offending environmental interests;
- insufficient public reporting regarding corporate operations;
- profit-oriented organizations active in fields similar to the NGOs discrediting civil organizations.

In these cases, the NGOs reacted differently. They tried to act either indirectly (by joining petitions or other demonstrations) or directly to protect their interests (by starting civil or criminal proceedings against corporations).

The two surveys provided an opportunity to compare the opinions provided by NGOs and SMEs. On the one hand, the evaluations of the civil organizations and SMEs did not significantly differ regarding the potential opportunities for NGOs in the corporate greening process. As summarized in previous tables, both groups rated these opportunities rather positively. The only exception was the most radical action available to civil organizations, namely, discrediting irresponsible companies.

On the other hand, the two groups evaluated the actual performance of NGOs differently, as summarized in Fig. 3f.

The responses show that *NGOs evaluate the actual performance of the civil sector more positively than SME professionals* for all types of activities (p -values = .021, .002, 0, .025, and 0), although their actual performance is lagging behind the potential opportunities according to both groups.

Further patterns were also analyzed in the dataset. In the SME survey, the role of sectors did not appear to influence the NGOs' evaluations. Further, other factors (size, primary market, business performance) did not influence the responding SMEs' evaluations of NGOs.

To analyze potential internal consistencies and data reduction among different variable groups, a factor analysis was conducted for a few groups of the variables that were analyzed earlier:

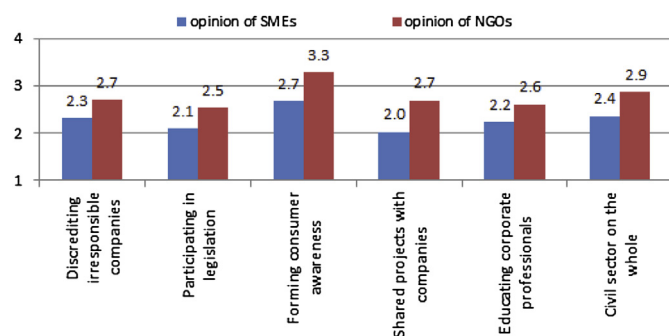


Fig. 3. Roles of Hungarian NGOs in improving corporate environmental performance – evaluation of actual performance.

- the potential role of NGOs in the corporate greening process (5 variables, based on both the SME and NGO surveys),
- the actual role of NGOs in practice in Hungary (5 variables, based on both the SME and NGO surveys),
- advantages and threats for NGOs in cooperating with business (5–5 variables, based on the NGO survey).

Principal component analysis was conducted, and the components with eigenvalues over 1 were selected (if there was only one such component, the one with the second highest eigenvalue was also included to provide a better interpretation of the components). After the KMO values (ranging between .540 and .809) were checked and accepted, the two components in each case were rotated with the Varimax method. Tables 7 and 8 provide a brief overview of the results of the factor analysis (the inclusion of original variables into the factors indicated by bold).

The rotated component values of three of the four cases (with the exception of the NGO survey regarding the theoretical opportunities of NGOs – the case with the lowest KMO value) provide the following findings:

- cooperation-based activities ('shared projects' and 'educating corporate professionals') are described by one component;
- confrontation ('discrediting SMEs') and one indirect activity ('raising consumer awareness') are described by another component;
- No clear pattern exists for interpreting 'participating in regulation' by the two components.

These findings support one of the primary underlying ideas of this paper, namely, the distinction between collaborative and confrontational NGO strategies.

The results regarding the advantages of cooperation suggest that patterns underlying the NGO responses can be divided into a knowledge-based and an achievement-based factor. The results regarding the threats of cooperation suggest that there are both an external (fear of losing independence and credibility) and an internal (fear of decreasing efficiency) factor underlying the NGO responses.

6. Discussion

To be able to assess the theoretical and practical implications of our findings, one must first discuss the limitations of the methodology and potential sources of bias.

Regarding content validity, as in many other cases of voluntary and self-reporting surveys, a potential source of bias arises from the possibility that SMEs and NGOs with an interest in and previous experience with partnerships are overrepresented in the sample. Such a difference between respondents and non-respondents may lead to an overestimation of the importance of the role of NGOs in greening businesses. This bias was addressed during the initial communication with the (potential) respondents by emphasizing the anonymity of the responses and by stressing that the questions have no right or wrong answers.

To assess the reliability (stability and internal consistency) of the results, Cronbach's alpha coefficient was used (test-retest reliability was not feasible in this study, and comparing split samples may generate a random error factor). Cronbach's alpha ranged between .664 and .93,² indicating that the level of consistency for the different variable groups was acceptable.

² Cronbach's alpha values for the different variable groups were .701 (role of NGOs, SME survey), .93 (influence of stakeholders, SME survey), .664 (role of NGOs, NGO survey), and .743 (advantages and threats of cooperation, NGO survey).

Table 7
Data reduction regarding the evaluation of NGOs using factor analysis based on the SME and NGO surveys.

	Potential for NGOs in theory				Actual performance of NGOs in Hungary				
	SME		NGO		SME		NGO		
KMO	.570		.541		.801		.610		
Eigenvalues	1.742	1.157	1.569	1.155	2.886	.754	2.206	1.207	
	Rotated component values				Rotated component values				
NGOdisc	-.199	.818	.575	.101	NGOdisc_HUN	.863	.099	-.155	.838
NGOregu	.447	.280	.818	-.160	NGOregu_HUN	.571	.499	.435	.454
NGOcons	.300	.656	.194	.609	NGOcons_HUN	.753	.349	.345	.775
NGOproj	.851	.021	.602	.471	NGOproj_HUN	.424	.776	.889	.121
NGOeduc	.814	-.069	-.160	.819	NGOeduc_HUN	.115	.910	.876	.025

The surveys were conducted in only one country, Hungary, which may constrain the international application of the results. However, many respondents (both SMEs and NGOs) to the sample reported engaging in international activities, and no country-specific characteristics of confrontational and cooperative strategies were revealed by the open questions. In Hungary, NGOs have been in operation for a rather short period of time (approximately 25 years since the transition to a market economy began); thus, the activities analyzed in this research are most likely less frequent compared to those of NGOs in more developed countries. This characteristic of the NGO sector in Hungary, however, only affirms the conclusions of this paper regarding the role of NGOs in the greening of business.

With these limitations in mind, the initial propositions of this paper are now evaluated.

Proposition 1. SMEs do not often engage in relationships with non-profit organizations because they do not consider such interaction beneficial.

The results show that contrary to this proposition, more than one-quarter of the SMEs in the sample have already interacted with one or more environmental NGOs – primarily through cooperation. This percentage is surprisingly high given that SMEs usually lack the time and resources for such activities. This study, however, was not able to uncover all the underlying patterns of interactions with NGOs. SMEs are often more embedded in local society than their larger counterparts, which may lead to more interactions with NGOs. SME personnel may also double as members of NGOs or may have other ties to local civil society organizations – similarly to personnel in large organizations.

Proposition 2. In SME-NGO relationships, cooperative strategies are as important as more traditional, confrontational approaches toward businesses.

It is promising that both SMEs and NGOs are optimistic regarding the potential for the civil sector to green businesses, even though actual NGO performance is evaluated to be more negative. Both collaborative NGO actions ('engaging in shared projects with companies' and 'educating corporate professionals') were rated as rather important by SMEs, suggesting that SMEs are open to further interacting with the civil sector. According to the results, NGOs also deem cooperation with businesses as an important tool, and interestingly, they are less divided about such activities than about the more traditional activity 'discrediting irresponsible companies'.

Regarding the incentives/benefits to engage in cooperative actions with NGOs, SMEs identified a number of motivations, although barriers were also listed. SMEs reported very rare occurrences of conflicts with NGOs, which may stem from their relatively low impact and visibility.

Proposition 3. SMEs evaluate the importance of their stakeholders differently from their larger, multinational counterparts.

While SMEs may have a different approach to their stakeholders than larger organizations, the results show that they prioritize stakeholders similarly, with the civil sector taking medium importance. Regulatory authorities rank highest on the priority list, as in previous research on large organizations, and the remainder of the list is also very similar. This result suggests that firm size is not an important factor in companies' evaluations of stakeholders.

Proposition 4. The influence of NGOs on business organizations through other stakeholders (i.e., their indirect influence) is at least as important as their direct impact.

When evaluating the potential and actual effectiveness of NGO actions, both SMEs and NGOs rated one of the indirect means of intervention, namely, 'increasing consumer awareness', as having the highest potential. The other indirect intervention, 'participating in legislation', was also evaluated positively – although the evaluations were marginally lower than those for other options. This finding indicates that indirect tools of intervention have great potential to improve the environmental performance of businesses.

7. Conclusions

This article provides an overview of the relationship between environmental NGOs and SMEs based on the stakeholder theory of the firm. After the limitations of the chosen methods are taken into account, the results offer both theoretical and practical implications.

The review of the literature shows that the importance of relationships between businesses and NGOs has increased over the last few decades. The current results strengthen this argument: approximately one-quarter of the respondent SMEs and the majority of the respondent NGOs have already engaged in cross-sectorial relationships. Furthermore, the results show that not only large, multinational corporations but also smaller enterprises are actively partnering with the civil sector. Given that SMEs often have fewer resources and less time than large organizations, this result is rather surprising, but promising.

From a business perspective, it is possible to relate the results of this paper to Wilson's RDAP classification of available strategy options³ (Wilson, 1975; Carroll, 1979). The results show that the most important stakeholders for SMEs are regulatory authorities and shareholders, whereas local community groups and environmental organizations are positioned lower. This finding is in line with Wilson's defensive strategy motivated by regulatory compliance, in which efforts are directed towards the protection of existing businesses and the generation of revenues (Schaltegger et al., 2011).

³ The RDAP (reactive – defensive – accommodative – proactive) scale describes the potential strategy options available to enterprises from completely denying to anticipating responsibility with regard to social and environmental issues.

Table 8

Data reduction regarding the advantages and threats of cooperation for NGOs using factor analysis based on the NGO survey.

Advantages			Threats		
KMO	.748		KMO	.809	
Eigenvalues	2.819	.809	Eigenvalues	2.980	.765
Rotated component values			Rotated component values		
Accessing external resources	.769	.357	Wasting resources	.685	.433
Accessing knowledge	.502	.732	Decreasing independence	.220	.886
Gaining a better understanding of business operation mechanisms	.107	.923	Inducing negative changes in organizational culture	.848	.171
Increasing effectiveness	.686	.289	Increasing bureaucracy	.809	.261
Increasing credibility	.838	.051	Diminishing credibility	.307	.831

However, the results also show that SMEs are open to other types of activities as well – namely a more collaborative approach to managing environmental and social issues – and are thus perhaps moving in a proactive direction. However, this observation does not mean that confrontational approaches do not have their place. The analysis of the benefits and drawbacks of different NGO strategies shows that these strategies can effectively complement each other on the level of civil society (even if they may be incompatible at the level of individual NGOs). In their critical assessment of NGO-business interactions, Laasonen et al. (2012) aim to identify dominant articulations of NGO-business relations. Analyzing the relevant literature, they argue that ‘those articulations that focus on NGO-business partnerships and governance initiatives tend to privilege collaborative and deliberative ways of engaging and marginalize more adversarial subject positions’ (Laasonen et al., 2012, p 521). The present study aims to contrast this tendency in the literature by analyzing how SMEs and NGOs view the situation based on their practical experiences. The survey shows that representatives of both sectors consider collaborative approaches to be very important, whereas their evaluations of confrontation are divergent: consistent with the literature analyzed by Laasonen et al., NGO representatives rated confrontation as less important, but representatives of SMEs found confrontation to be as important as collaborative NGO activities. This result supports the call of Laasonen et al. for ‘more recognition of the potentially constructive role that can be played by conflict’ (Laasonen et al., 2012, p 521).

SMEs are not only involved in NGO relationships but are also similar to larger organizations with regard to their stakeholder prioritization: they rank civil society organizations as moderately important, consistent with the suggestions of Mitchell et al. (1997). In contrast to the results of previous research summarized in Table 2, these results show that NGOs are important for smaller organizations as well (Table 5). Further analysis of SME prioritization of stakeholders also reveals some differences: relative to large businesses, final consumers and owners are less important whereas suppliers are more important with regard to environmental issues for SMEs.

Beyond these results, this research does not allow for a more direct comparison of SME-NGO versus large corporation-NGO relationships. Nevertheless, the workshop and responses to the open questions of the surveys provide some insights into the differences between these two types of relationships. According to these responses, the local embeddedness of SMEs is important to their engagement with the civil sector, and such embeddedness may even take extreme forms (e.g., the owner-manager of the SME may be a member of a local NGO).

Finally, the literature review highlights one important shortcoming of stakeholder theory, namely, that stakeholder theory largely disregards the interconnections between the different stakeholders and the resulting impact on business decisions. Although the survey presented in this paper does not map the

different stakeholder networks of SMEs in detail, information about the importance of the direct and indirect activities of NGOs is collected. According to the findings, indirect means of intervention are as potent as more traditional, direct tools. (Among the different activities studied, ‘increasing consumer awareness’ by NGOs is given the highest importance by the respondents.) Further, interestingly, NGOs appear to be more divided regarding one of their most traditional actions, namely, ‘discrediting irresponsible companies’.

For the academic community, this finding highlights the interactions of stakeholders, or ‘stakeholder multiplicity,’ as termed by Neville and Menguc (2006), as an important direction for future research that could have important theoretical and practical repercussions.

For business practitioners, this finding suggests that NGO activities should not be downplayed in favor of other stakeholders because these indirect actions can have meaningful effects on their operations.

The research introduced in this paper provides empirical evidence of the importance of SME-NGO relationships. SMEs often engage in diverse activities with environmental NGOs, which benefit both types of organizations. The results also show that although the actual performance of NGOs is evaluated less favorably, both NGOs and SMEs consider the potential for engagement to remain high. Thus, both types of organizations should seek further opportunities for interaction – whether confrontation or collaboration.

Furthermore, national and international environmental policy-makers should also consider how SME-NGO interaction can be enhanced. Such interaction is important because although individual cases may appear to provide only minor benefits, the large number of SMEs and their diverse environmental impacts warrant increased attention.

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