Corporate engagement with non-governmental organizations in different institutional contexts—A case study of a forest products company

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1. Introduction

Companies are increasingly interested in how to manage their stakeholder relations, how to define their social and environmental responsibility and how to address sustainability-related issues. One stakeholder group in particular, non-governmental organizations (NGOs), has received rapidly growing attention from academics and practitioners alike. For the purposes of this study, NGOs are defined as “private, not-for-profit organizations that aim to serve particular societal interests by focusing advocacy and/or operational efforts on social, political and economic goals, including equity, education, health, environmental protection and human rights” (Doh & Teegen, 2003). They are commonly seen as one of the three key actors in the global economy in addition to governments and corporations.

In past decades, NGOs have experienced a rapid growth in influence and number (Bendell, 2000; Boli & Thomas, 1997; Doh & Teegen, 2003; Teegen, 2003). NGOs have generally been studied in fields such as economics of development, international relations and international political economy (Millar, Choi, & Chen, 2004). International Business (IB) has been seen as one of the most important areas of research in examining the relationship between business and society (Carroll, 1994; Wokutch, 1998). IB researchers have only lately started emphasizing the need to study corporate responsibility and business–society management (Kolk & van Tulder, 2004; Maignan & Ralston, 2002; Van Tulder & van der Zwart, 2006; special issue of the Journal of International Business Studies, November 2006, vol. 37, iss. 6) and in particular the relationship between business and NGOs (Buckley, 2002; Buckley & Ghauri, 2005; Doh & Teegen, 2002, 2003). Teegen, Doh, and Vachani (2004, p. 473) describe NGOs as a potentially rich area of future research in international business and note that “IB research appears to lag behind other disciplines in considering NGOs and the broader societal interests they represent”. The main contribution of IB to the study of business–NGO relations is the importance of context (Teegen et al., 2004, p. 474). Context is especially important in the study of NGOs since there are significant differences in the NGO base in different countries (Salamon & Anheier, 1998). There can even be large differences between national chapters of an international NGO in various countries. Additionally, corporate responsibility and stakeholder management issues in big emerging markets (e.g., India, China and Eastern Europe) are a significant avenue for future research. Finally, although IB models on the business–NGO relationship exist (Doh & Teegen, 2002), few empirical studies have been conducted on this relationship (Doh & Guay, 2006).

To tackle these research gaps, this study utilizes an embedded single case study approach and focuses on one industry (forest products), one company within this industry (Stora Enso) and five countries in which the company operates (Finland as a home or parent company country, and Brazil, China, Poland and Russia as
host countries). This paper poses the following research questions: 1. Why and how do companies engage with NGOs? 2. What is the role of NGOs in different institutional contexts? 3. How does the role of NGOs in different institutional contexts affect company NGO engagement?

To answer these questions, this paper is grounded in stakeholder theory, corporate responsibility and business and society literatures, international business research on different types of distances, and institutional theory. Relevant studies from these fields are described and a theoretical framework is developed.

2. NGO engagement from an institutional-stakeholder perspective

The focus of this paper is on NGOs working in the fields of development cooperation, welfare, the environment, human rights and community development. Political parties, trade unions, religious organizations (churches), professional or business associations and educational or student organizations are not included. This study also examines key international governmental organizations (IGOs), especially agencies of the United Nations (UN), since there is significant cooperation between them and the case company.

In this paper, business–NGO engagement is seen as an activity falling within the sphere of corporate responsibility (CR). Corporate responsibility is a contested concept and an “umbrella term overlapping with some, and being synonymous with other, conceptions of business society relations” (Matten & Moon, 2008). NGOs are one stakeholder group among many for companies. A stakeholder can be defined broadly as “any group or individual who can affect or is affected by the achievement of an organization’s objectives” (Freeman, 1984). Around this concept of the stakeholder, a wide literature that can be labelled stakeholder theory has formed. This theory is a managerial concept of organizational strategy and its principal idea is that an organization’s success is dependent on how well it manages the relationships with stakeholders such as employees, customers, suppliers and communities (Freeman, 1984; Phillips, Freeman, & Wicks, 2003).

Important stakeholder management issues in this study include “why” and “how” questions. In terms of answering why companies engage with NGOs, it is necessary to determine what are the benefits and disadvantages of engaging with NGOs. In examining how engagement takes place, key issues are stakeholder pressure (what kind of demands NGOs place on companies and how they voice these demands), stakeholder identification (how to identify which stakeholders should be engaged), stakeholder salience (how can the general and relative importance of an NGO relationship be determined or the “principle of who or what really counts?”: Mitchell, Agle, & Wood, 1997), and stakeholder engagement (what types of forms of engagement are used). This study addresses all of the above issues related to NGOs as corporate stakeholders.

Furthermore, it should be noted that while in business literature, the relationship between NGOs and companies has traditionally been seen as adversarial (Argenti, 2004; Spar & La Mure, 2003), this study focuses both on the cooperative as well as the adversarial nature of the business–NGO relationship. In the analysis of the business–NGO relationship, stakeholder theory is commonly used and research themes include the different forms of collaboration between NGOs and businesses, such as dialogue and partnerships (Argenti, 2004; Hartman, Hofman, & Stafford, 1999; MacDonald & Chrisp, 2005; Millar et al., 2004; Rondinelli & London, 2003), NGOs from the global governance or voluntary regulatory aspects (Christmann & Taylor, 2002; Teegen et al., 2004), and the different roles and strategies adopted by NGOs and their impact on companies (Åhlström & Sjöström, 2005; Hendry, 2005; Humphreys, 2004; Kong, Salzmann, Steger, & Ionescu-Somers, 2002; Spar & La Mure, 2003). Thus, most studies on the business–NGO relationship focus on a specific form of collaboration—a notable exception being the “collaboration portfolio” described by Austin (2000, pp. 140–144). Unlike Austin, this study looks at the entire NGO engagement portfolio—both cooperative and adversarial. Austin (2000, pp. 20–29) also sees that collaboration goes through three phases—philanthropic, transactional and integrative stages. Although acknowledging that business–NGO relations can develop over time, this paper looks at relationships of a single company with different NGOs and analyses these relationships comparatively.

In terms of the institutional context, on the one hand, companies experience global standardization pressures in terms of corporate responsibility and stakeholder management. On the other hand, they face pressures to adapt their corporate responsibility activities and stakeholder management practices on a local level. Global standardization pressures can be analyzed through “new institutional” theory. Institutional theory has become a foundation for much of the research conducted in organizational theory (Scott, 1995), as well as an increasing number of studies in international business. DiMaggio and Powell (1983) argue that institutional environments are becoming more homogenous across national boundaries and that organizational practices are become institutionalized and legitimate. Legitimacy is achieved through coercive isomorphisms, mimetic processes and normative pressures. In the case of corporate responsibility and NGO engagement, these isomorphisms comprise of increasing global governmental regulatory frameworks and voluntary environmental and social initiatives. These include such as codes of conduct, guidelines and management systems developed by the Organization for Economic Cooperation and Development (OECD), United Nations (UN), International Labour Organization (ILO), Global Reporting Initiative (GRI), the International Organization for Standardization (ISO) and various NGOs. Mimetic processes include business coalitions formed around sustainability issues, corporate responsibility training programs and sustainability reporting. In terms of NGO engagement, the formation of partnerships with NGOs, especially promoted by the World Summit for Sustainable Development in 2002 (Eweje, 2007), is a significant mimetic process. Normative pressures come for instance from the inclusion of corporate responsibility and stakeholder management into business school curriculums (Matten & Moon, 2008).

In terms of the local adaptation of corporate responsibility and stakeholder management, Doh and Teegen (2002, p. 669) discuss the link between institutions and NGOs using the institutional theory of economics as seen by North (1991, 1994). North describes two types of institutions: formal institutions (such as laws, policies and formal agreements) and informal institutions (such behavioral norms and mental models of individuals). Doh and Teegen (2002) argue that NGOs affect both types of institutions. They perceive that institutions are dynamic and constantly evolving and that NGOs are becoming increasingly integrated into their institutional environment and taking a more and more active role in influencing formal institutions.

In addition to global standardization pressure, this study is interested in the national institutional context in which companies operate and the role of NGOs within this context. In international business, a key area of research has been the development of various interrelated distance measures: psychic, cultural, geographic, development and institutional distance (e.g., Van Tulder & van der Zwart, 2006, pp. 253–263). Psychic distance is seen as the “sum of factors preventing the flow of information from and to the market” (Johanson & Vahlne, 1977), including language, education, culture and business practices. Cultural distance incorporates the possible differences existing in relation to the way individuals in different countries observe behavior, which affects the transfer of work practices (Brouthers & Brouthers, 2001; Kogut & Singh, 1988; Quer, Claver, & Rienda, 2007; Shenkar, 2001; Wang & Schaan,
Cultural distance concept is almost always measured in terms of Hofstede (1980) individual work-related values or dimensions of culture. Geographic distance is self-explanatory and development distance relates to the level of development of the host country compared to the home country. Finally, institutional distance is the extent of similarity between the regulatory, cognitive and normative institutions of two nations (Kostova, 1999; Xu & Shenkar, 2002). Institutional distance can exist between two countries or between the headquarters and subsidiary of a company (Kostova & Roth, 2002).

This study proposes a new concept of civil society distance. This metric measures the difference between the NGO bases in different countries. Why is there a need for yet another distance concept and how is the new concept different from previous ones? Firstly, civil society distance is not focused on the level of the individual like cultural distance. Secondly, the focus of civil society distance is not on foreign direct investment (FDI) and entry modes (like geographic, development, psychic, cultural and to some extent institutional distance). It focuses on the management of existing stakeholder relations. The new concept can also be utilized to assess one factor under what is commonly referred to as country risk in FDI. Thirdly, civil society distance is not as comprehensive as psychic or institutional distance, since the focus is on a relationship with a specific type of actor. Hence, civil society distance can be considered as a part of institutional distance—the latter being too wide to properly observe business–NGO relations. Civil society distance is described further in the next section.

3. Theoretical framework

Fig. 1 presents the theoretical framework of the study, which is modified from a model by van Tulder and van der Zwart (2006, p. 253). In the original framework, the authors discuss the existence of corporate social responsibility (CSR) regimes (internal, home country and host country regimes) and various types of distances (cultural/geographic, development/normative and institutional distances). In the framework, home and host country CSR regimes are replaced by NGO bases and the company's international corporate responsibility by the management of NGO relations, since the focus is on business–NGO relations. Additionally the concept of civil society distance is introduced in the framework.

The multinational enterprise (MNE) and its NGO engagement strategies and practices are at the center of the framework. These strategies and practices are affected by the global isomorphic pressures related to CR and NGOs (pressures for global standardization in the upper inverted triangle) as well as the home and host country NGO bases (pressures for local adaptation in the left and right triangles). Corporate action can also be seen to influence the NGOs in host and home countries to some extent. At the bottom, the different types of distances are presented and a new type of distance measurement, civil society distance, is proposed. Civil society distance can encompass the size, diversity, societal legitimacy, power, activity (active/passive), nature (adversarial/cooperative), interrelatedness (local and international networks), international orientation, history and geographical dispersion of national organized civil society (NGOs) and social movements. In the empirical section, this concept is clarified in terms of which aspects the data on the case company lifted as key measures, and propositions are developed on the link between company motives and engagement strategies as well as the effect of civil society distance on engagement strategies.

4. Methodology

The qualitative research methodology is proven to be very important in the analysis of the relationship between business and
society (Harrison & Freeman, 1999). This study utilizes an embedded case study approach (Eisenhardt, 1989; Yin, 2003). This approach is appropriate, because two research questions are “how” or “why” type questions. The researcher has little control over events because the topic is a contemporary real-life problem and a complex phenomenon involving various variables (Yin, 2003).

Three key choices were made: the choice of industry, company and countries of analysis. NGO engagement can vary drastically depending on the industry of the company. The forest products industry is as a high impact industry in terms of the environment and it has traditionally had a dialogue with NGOs for decades. Within this industry, Stora Enso, a Finnish paper and packaging company, was chosen as the case company. Stora Enso emphasizes sustainability in its operations and engages with NGOs in various ways. The company is one of the largest global forests products companies and it has extensive international operations. Indeed, multinational corporations provide a very interesting research context (Roth & Kostova, 2003). Furthermore, Stora Enso’s operations and related NGO protests have been actively discussed in the media in recent years. In terms of the countries included, the aim was to select countries, firstly in which the company had relatively extensive presence and, secondly which represented highly different institutional context. Finland was chosen, because of the location of the corporation’s global headquarters, and because of NGO criticism related to the company’s operations in this country. Russia, China and Brazil were chosen as important future markets for the company and the latter also because of significant criticism from NGOs in this country. Poland was chosen as a country where Stora Enso had operations, but has not been the target of significant stakeholder pressure.

Data gathering was completed between December 2006 and July 2007. Primary data was gathered through 14 semi-structured interviews with case company representatives lasting each approximately one hour. Interviews were taped and transcribed. Employees dealing with NGO relations at headquarters level and at country level for Finland, Russia, Poland, China and Brazil were included. Interviewees included representatives of different functions (sustainability, communications and wood supply) to get a comprehensive view of NGO relations. Interviews were conducted in Finnish, Polish and English in different locations in Finland and Poland as face-to-face (11 out of 14) and telephone (3 out of 14) interviews. Representatives in charge of NGO relations in Russia are based in Finland, representatives from Brazilian operations were interviewed during their travels to Finland and representatives from Chinese operations via telephone. In terms of the selection of interviewees, key representatives in charge of NGO relations for different countries were identified in preliminary discussions with the company. In addition, a snowball technique was used by asking each interviewee about other potentially relevant interviewees dealing with NGO relations and all mentioned persons were interviewed (the interview guide can be found as Appendix A). All in all, the total number of interviewees is relatively small, which can be seen as a limitation of the study. However, the company does not have many employees working on NGO relations (all interviewees deal with a number of tasks in addition to NGO relations) and, in accordance with the snowball technique, relevant staff was interviewed.

The interview data was supplemented by secondary data consisting of the company website’s (www.storaenso.com) section on sustainability issues, company sustainability reports for 2003, 2004, 2005 and 2006, existing issues of company newsletter entitled Sustainability News, company press releases since 1999, the corporate magazine Tempus (issues from 1999 to present), as well as company fact sheets, position papers and presentations. It should be noted, that data gathering on NGO engagement was limited to company sources, which can give a one-sided and potentially overly positive view of NGO engagement. Nonetheless, since the focus is on engagement from the company side including company motives, the organization of responsibility for NGO relations, and various stakeholder management strategies, practices and tools, data on NGO perceptions and tactics falls outside the scope of the research. The description of the NGO base of each country was obtained from previous academic and practitioner reports incorporating company representatives’ views.

In terms of the research process, the first phase took place before the case study. A preliminary content analysis of 37 sustainability reports of forest products and energy companies was conducted to determine the range of possible engagement forms with NGOs. This pre-study categorized 10 different engagement forms into five categories—in this case analysis nine engagement forms are identified and categorized into three categories. The case study thus goes deeper into the evaluation of the categorization and examined how different types of engagement forms took place in practice.

In a second phase, secondary data analysis of sources aforementioned took place prior to the interviews. In this analysis, a division into strategic, organizational and practical issues was first utilized. Primary company motives for engagement and engagement forms were present in secondary data. The theme of global standardization and local adaptation became evident in this analysis and the focus of the case shifted more towards national differences in NGO engagement. Other themes which arose were the proactive development of stakeholder practices and the importance of stakeholder dialogue.

In the third phase, company representatives were interviewed. In a preliminary meeting with a company representative, the number of countries analyzed was increased (Brazil and China were included because they were seen as interesting and vastly different cases). The interviews were designed to provide a comparative setting between the countries chosen. In the interview data, themes that arose included: the multitude of inter-related motives for engagement, a portfolio thinking of using engagement strategies, the link between motives and engagement strategies, the inclusiveness of dialogue with NGOs, competing forest certification schemes, stakeholder identification tools, the importance of international governmental organizations, different aspects of national civil societies (measures of civil society distance), and discrepancies in global integration and local adaptation of engagement.

In terms of evaluation of quality of the analysis, data triangulation – using different types of data sources as described – played an important role in achieving a thick and complete description of NGO engagement (Marshlan-Piekarr & Welch, 2004). After the combined primary and secondary data analysis was completed, interviewees were sent a wider report for commenting and fact checking. The description of the research process and design is also an important part of the quality of research.

5. NGO engagement on a global level

In this paper, the case company is introduced, the benefits and disadvantages of NGO engagement are presented and global NGO engagement is examined on a strategic, organizational structure and engagement form levels. Stora Enso is a paper, packaging and forest products company with its headquarters located in Finland. In the beginning of 2007, the company had four main divisions based on its key products: publication paper, fine paper, packaging boards and wood products. In January 2007, the company was the world’s largest producer of paper and board and the fourth largest producer of sawn timber. Stora Enso was created in 1998, when the Swedish company Stora Kopparbergs Bergslags Aktiebolag (or STORA) and the Finnish company Enso Gutzeit (Enso Oyj) merged,
but the company’s roots reach back more than 700 years in Sweden (Hoover’s company records). The group has about 44,000 employees and its sales for 2006 were approximately 14.6 billion euros. The company mainly serves its business-to-business customers, which are usually publishers and printing houses as well as the packaging, construction and joinery industries. Stora Enso has subsidiaries in over 40 countries and its main markets are Europe, North America and Asia. In the past few years, the company has increasingly entered emerging markets, such as South America, China and Russia. In this sense, Stora Enso is an interesting case company, since it has relatively recently had to learn how to manage stakeholders in new societal contexts.

The forest products industry can be seen as an area where stakeholder engagement is highly important, since it deals with the utilization of natural resources. As a company representative described the forests products sector, “this is the most stakeholder sensitive industry that I know”, especially due to the utilization of natural resources. Most interviewees also saw that NGO engagement has become a compulsory part of everyday business operations and Stora Enso defines NGOs as a key stakeholder group in its principles for corporate social responsibility.

The main motives for NGO engagement that arose from the data are (1) risk management (including identifying weak signals and avoiding damaging campaigns—as an interviewee mentioned: “There are no local issues. Things have to be done as transparently as possible”), (2) societal legitimacy (including building better stakeholder relations in general and using independent actors as mediators and consultants—as an interviewee mentioned: NGOs see that “credibility is zero for companies and this is self evident”), (3) reputation (including brand building through sponsorship and alliances with reputable NGOs and IGOs) and (4) value creation through expertise (including learning about the local business environment and environmental practices and potentially creating new innovations—NGO engagement was seen to be a potential competitive advantage when done better than competitors). In terms of disadvantages related to NGO engagement, company representatives mentioned that it can take significant amounts of time and resources. Furthermore, one interviewee saw stakeholder engagement as trendy and thus making it potentially difficult to identify appropriate NGOs. Finally, it was also noted that being seen as one of the leaders in sustainability can potentially attract more pressure, because NGOs identify the company as more responsive than others.

On a strategic level, in the past few years, Stora Enso has aimed to make stakeholder engagement more proactive and systematic in terms of governance, knowledge management, engagement tools and reporting. NGO engagement strategies can be categorized into three main types: (1) Sponsorship strategy: focusing on “externalizing” social responsibility by emphasizing charitable donations to NGOs. (2) Dialogue strategy: relying mostly on creating or being part of forums for discussion such as roundtables. The emphasis is on two-way communication and learning and the approach is inclusive. (3) Partnership strategy: emphasizing the creation of successful long-term and contract-based partnerships with a limited number of NGOs.

The NGO engagement focus of Stora Enso is currently on actively searching for partnerships and signing cooperation agreements with NGOs and UN agencies. Stora Enso has signed a cooperation agreement with United Nations Children’s Fund (UNICEF), United Nations Development Programme (UNDP) and WWF, a global environmental NGO. This partnership strategy can be seen as beneficial, since it provides cooperation benefits and the development of a long-term relationship through a number of common projects. Nevertheless, a potential threat is that stakeholder dialogue is conducted in the future in a more closed circle, alienating more critical NGOs. A partnership strategy can thus be seen as to take away resources from a more general stakeholder dialogue. Dialogue is also an important strategy for Stora Enso, especially in terms of forest certification, which is described further on in this chapter as one engagement form. Other dialogue engagement forms include roundtables, research cooperation, consultation and surveys. The company has a relatively small sponsorship program (including employee volunteerism), since some interviewees saw it as a form more appropriate for a U.S. company rather than a Finnish company.

Table 1 examines the key opportunities and threats of different types of engagement strategies.

Based on the data and the results depicted in Table 1, four general propositions on the link between the above-described company motives and engagement strategies can be derived:

P1. Through dialogue with NGOs, a company gains more societal legitimacy than sponsorship or partnership programs.

P2. Dialogue with NGOs is a more effective form of risk management than sponsorship or partnership programs.

P3. Partnerships with NGOs and sponsorship yield higher reputational benefits than dialogue with NGOs.

P4. Dialogue and partnership programs with NGOs create more learning for a company than sponsorship.

Table 1
Opportunities and threats of NGO engagement strategies.

<table>
<thead>
<tr>
<th></th>
<th>Sponsorship</th>
<th>Dialogue</th>
<th>Partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opportunities</strong></td>
<td>Potential brand and reputational value</td>
<td>Highest legitimacy out of these strategies through inclusive stakeholder engagement process</td>
<td>Opportunities for innovation, learning and operational efficiency through deeper cooperation</td>
</tr>
<tr>
<td></td>
<td>Commonly a requirement is socially responsible investment (SRI) indices</td>
<td>Risk management through avoiding future campaigns</td>
<td>Reputation and legitimacy increased through cooperation with reputable partners</td>
</tr>
<tr>
<td></td>
<td>Potential increased employee satisfaction</td>
<td>Local market knowledge gained</td>
<td>Local market knowledge gained</td>
</tr>
<tr>
<td><strong>Threats</strong></td>
<td>Potentially less legitimacy than with other strategies</td>
<td>Possible operational efficiency gained through engagement</td>
<td>Employee satisfaction through engagement of employees at different levels—easier to communicate than dialogue</td>
</tr>
<tr>
<td></td>
<td>Can be seen as “green washing”</td>
<td>Possible route to avoiding regulation or affecting upcoming legislation</td>
<td>Risk management by avoiding future campaigns</td>
</tr>
<tr>
<td></td>
<td>Reputational benefits difficult to measure</td>
<td>Possible increased collaboration in supply chain</td>
<td>Possible increased collaboration in supply chain</td>
</tr>
<tr>
<td></td>
<td>Philanthropy orientation varies in different countries</td>
<td>Potential increased employee satisfaction</td>
<td>Focus on partners can alienate certain actors</td>
</tr>
</tbody>
</table>

On an organizational level, the company has a global sustain-
ability committee, which is in charge of formulating corporate
policy and strategy on corporate social responsibility issues and
NGO engagement and ensuring that these policies are established
and respected. This committee has four support teams: environ-
mental coordination team, customer support team, corporate
social responsibility team and the forest environmental team. NGO
engagement takes place on three levels: headquarters, country and
factory level. Stora Enso has adopted a strategy where decision-
making is centralized to the headquarters level in terms of the
development of engagement principles and descriptions of
stakeholder processes through the sustainability committee.
Responsibility for partnerships and cooperation is decentralized
by function—the wood supply function is in charge of WWF
cooperation, the communications function is in charge of the
UNICEF collaboration and the corporate social responsibility
function is in charge of the UNDP cooperation.

On the country level, the focus is often on communication with
critical stakeholders and as a company representative stated:
“unfortunately at the country level we are putting out fires”. The
country offices also engage with NGOs and implement global
cooperation agreements. Factory level cooperation is typically
with local communities and community based NGOs (commonly
related to sports or arts). Although NGO engagement is relatively
decentralized, it should be noted that for instance local criticism
from Greenpeace Finland related to Finnish Lapland, becomes a
global issue when the company’s global clients take up these issues
in negotiations with the company.

On a practical level, Stora Enso utilizes various tools and
engagement forms with NGOs. Important tools for NGO engage-
ment are related to stakeholder identification. As one company
representative stated, “stakeholder engagement doesn’t mean you
have to forcefully love the whole world”. Thus some NGOs are not
willing to enter into dialogue and the company is not always
willing or does not always see the need to enter into dialogue with
some NGOs. In the past few years, Stora Enso has taken a more
proactive stance in terms of NGO engagement. The company
compiles country-level NGO analyses and follows actively 65
different NGOs working in the fields of forestry and biodiversity.
Furthermore, one of the key tools related to identifying important
themes is a systematic annual dialogue with key customers,
investors, lenders, NGOs and other stakeholders. Key engagement
forms between Stora Enso and NGOs include the following: (1)
strategic partnership/cooperation agreement, (2) common project,
(3) research cooperation or contracting, (4) forest certification, (5)
roundtable dialogue, (6) consultation and training, (7) employee
volunteerism, (8) sponsorship, and (9) survey. As stated previously,
the most important form of cooperation is the “win–win” strategic
partnership. Cooperation agreements have been signed with WWF,
UNICEF and UNDP. WWF cooperation consists of various
conservation projects, UNICEF collaboration emphasizes a spon-
сорship orientation (financial support and marketing cooperation)
and UNDP cooperation has taken the form of commissioning of
independent environmental and social impact analyses (ESIAs) of
company operations.

Forest certification is another important engagement form. It
can be defined as “a procedure whereby an independent third
party inspects forest management and utilisation practices to
assess compliance with a set of ecological, economic and social
standards for sustainable forestry” (www.storaenso.com). The
company is involved with various certification schemes: Pro-
gramme for the Endorsement of Forest Certification (PEFC), Forest
Stewardship Council (FSC), Sustainable Forestry Initiative (SFI),
Canadian Standard Association (CSA) certification, American Tree
Farn System (ATFS) and the Brazilian CERFLOR. Most of these
schemes involve NGO consultation or membership. Furthermore,

6. NGO engagement in home and host countries

Table 2 summarizes Stora Enso’s NGO engagement in the home
country, Finland, and in four host countries: Brazil, China, Poland
and Russia.

Stora Enso has a very strong presence in Finland, where the
company headquarters is located. In terms of the NGO base,
Finland has an active NGO base for social and environmental issues
with both cooperative and adversarial actors (Ilmonen, 2006).
Environmental NGOs have been targeting the forestry sector since
the 1970s leading to the rapid development of forest legislation,
which is rather strict. The key issue in NGO dialogue is forest
certification and use. The most important company motives for
NGO engagement include legitimacy, risk management and
seeking expertise. In Finland identification is not difficult, since
all of the relatively few actors are well known and commonly are
part of a Finnish dialogue, except for some critical actors.
Engagement forms include roundtable discussions and common
programs.

In Brazil, Stora Enso’s presence and land ownership is on the
rise. The Brazilian NGO base is very active and polarized including a
wide variety of NGOs with different tactics to influence corporate
decision-making. In some cases, Brazilian NGOs can be seen to take
over areas where the government is not able to perform. A number
of issues focused on including plantations and related biodiversity,
forest certification, land ownership and community development.
Company motives are related to risk management and gaining
local expertise. In Brazil, NGO identification is relatively systema-
tic, but rather difficult due to the large number of NGOs of different
sizes. According to company representatives, Stora Enso has
developed a systematic and relatively inclusive dialogue along
with the development of various projects.

China is a strategically important market for the company and it
has increased its presence there in the past years. In China, the NGO
base is rather limited and the state has extensive formal control (cf.
Ma, 2002 for a review of NGOs in China). Thus, there is limited
dialogue and pressure comes mostly from local communities. The
focus is on community development as well as to a lesser extent,
forest certification and plantation issues. Company motives are gaining
local expertise and credibility. In China, the company is developing its
NGO identification and the engagement forms vary from Environmental and Social Impact Analyses to training and
dialogue.

In Poland, the NGO field is not very active and there is very
limited pressure from environmental NGOs. NGO identification is
not really conducted, since there are old historical ties to specific
charities. Thus, NGO engagement from the company side has been
limited to mostly sponsorship to improve relations with local
communities, and business—NGO dialogue is limited. A key motive
for sponsorship is gaining reputation.

Stora Enso sees Russia as a growing market and has steadily
increased its presence in the country. Russian NGOs are active, but
Table 2
Summary of key findings on a country level.

<table>
<thead>
<tr>
<th>Country</th>
<th>Company presence (situation in early 2007)</th>
<th>NGO base and stakeholder pressure</th>
<th>Key focus of NGO engagement</th>
<th>Company motives for engagement</th>
<th>IGO/NGOs engaged</th>
<th>Identification process</th>
<th>Engagement forms</th>
<th>Level of dialogue and inclusiveness</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland (home)</td>
<td>26 mills, 12 forest offices, 3 logistics offices, 3 divisional offices, 2 sales offices, 1 research center, 1 wood supply office, 2 companies owned 100%, 1 company 50%</td>
<td>Active NGO base; both cooperative and aggressive</td>
<td>Forest certification (old-growth forests)</td>
<td>Legitimacy, risk management and expertise</td>
<td>WWF and Finnish Association for Nature Conservation, Greenpeace</td>
<td>Based on key actors in the country and old-growth forest discussion</td>
<td>Dialogue in the form of roundtables, sponsorship, common programs</td>
<td>Dialogue is relatively systematic and inclusive</td>
</tr>
<tr>
<td>Brazil</td>
<td>1 mill, 50% joint venture in other mill, 1 divisional office, 1 sales office, plantations</td>
<td>Very active NGO base; polarized with strong pressure, aggressive</td>
<td>Plantations and biodiversity, forest certification and ownership, local community</td>
<td>Expertise and risk management</td>
<td>Conservation International, The Nature Conservancy, numerous local NGOs</td>
<td>Relatively systematic</td>
<td>Commonly project based activity and dialogue, beginning of employee volunteerism</td>
<td>Dialogue is systematic and inclusive</td>
</tr>
<tr>
<td>China</td>
<td>2 mills, 5 sales offices, plantations</td>
<td>Very limited NGO base; pressure mostly from local communities</td>
<td>Local community, lesser extent forest certification, plantations and biodiversity</td>
<td>Local expertise and credibility</td>
<td>UNDP, WWF, International Finance Corporation, Red Cross, UNICEF, Oxfam</td>
<td>Not very systematic and based on company needs</td>
<td>Environmental analysis, local supply chain partner development, dialogue on environmental and social issues, training</td>
<td>Little dialogue; initiatives commonly government-lead</td>
</tr>
<tr>
<td>Poland</td>
<td>4 mills, 4 sales offices</td>
<td>Not active, very limited pressure in environmental issues and few International NGOs, mostly cooperative</td>
<td>Local community</td>
<td>Reputation and goodwill</td>
<td>Great Orchestra of Christmas Charity Foundation and few local NGOs</td>
<td>Based on local community and company history</td>
<td>Sponsorship and limited employee volunteerism</td>
<td>Very limited dialogue</td>
</tr>
<tr>
<td>Russia</td>
<td>4 mills, 10 forest offices, 2 sales offices, 1 divisional office, 7 harvesting companies</td>
<td>Active NGO base in terms of forest certification; mostly cooperative</td>
<td>Forest certification (traceability/old-growth forests and legality)</td>
<td>Risk management and expertise</td>
<td></td>
<td>Based on NGOs appropriation of zones and customer pressure</td>
<td>Roundtable discussions and projects</td>
<td>Dialogue is systematic and inclusive</td>
</tr>
</tbody>
</table>
only in the area of forest certification. Unlike in Brazil and to some extent Finland, the Russian environmental NGOs are more cooperatively oriented and roles in different locations are divided rather clearly between NGO actors (cf. Crotty, 2006 for a review of Russian civil society). New legislation put pressure on NGOs by forcing them to reregister and rules on foreign sponsorship have recently become much stricter. The focus in Russia is also on forest certification, but issues on the legality of wood are more prevalent. Key motives for Stora Enso in terms of cooperation are risk management and gaining expertise from local NGOs. Engagement forms are similar to Finland—roundtable discussions and common projects.

There are important differences in the use of the strategies by Stora Enso in the various institutional contexts. In terms of sponsorship, donations to NGOs take place to some extent in all analyzed countries except China, but this approach is focused on only in Poland. Globally, the company’s cooperation with UNICEF at this stage can be seen as sponsorship-oriented. This strategy includes possible issues to be resolved between global strategy and local implementation as was the case in Poland—the headquarters promotes the global cooperating NGO, while there are long traditions locally with a national NGO. A dialogue strategy is used in Finland, Russia and Brazil, because of either earlier or current criticism from NGOs. The difference between these countries is that the key NGOs are clear in Finland and Russia, but the Brazilian NGO base is more diverse and complex to engage. Dialogue is limited in China and Poland due to the lack of an environmental NGO base and discussion on these issues. In terms of partnership-orientation, Stora Enso signed cooperation agreements with different NGOs and IGOs in Brazil, China, Finland and Russia, but the reasons behind these agreements differ. In Brazil, UNDP is used to gain legitimacy in the eyes of the diverse NGO field. In China, UNDP is used partly, because there are no credible NGO partners. In Finland and Russia, cooperation agreements are signed with WWF to develop new forestry practices.

The discussion indicates that key civil society distance measures affecting NGO engagement are: (1) existence and diversity of the NGO base (non-existent, non-diverse or diverse), (2) activity towards companies (active vs. passive), and (3) and nature of the business–NGO relationships (adversarial vs. cooperative). Based on the above findings, five propositions on the effect of these civil society distance measures on NGO engagement can be derived:

P5. A “non-existent” NGO base leads a company to engage with governmental and intergovernmental organizations (Chinese case).

P6. A relatively non-diverse, active, and adversarial and/or cooperative NGO base leads a company to adopt a dialogue focus (Finnish and Russian case).

P7. A relatively non-diverse and passive NGO base leads a company to disregard NGOs or adopt a sponsorship orientation (Polish case).

P8. A relatively diverse, active, both adversarial and cooperative NGO base leads a company to adopt a dialogue and/or partnership focus (Brazilian case).

Finally, it should be noted that a company’s experience in a foreign market seems to have an effect on engagement as stated in the following proposition:

P9. A company’s inexperience in a host country leads to company engagement with international NGOs or international governmental or intergovernmental organizations.

The role of NGOs in different institutional contexts has a strong effect on the business–NGO engagement. The key findings are summarized in the modified theoretical framework in Fig. 2.

The following chapter discusses the theoretical and practical contribution of the paper and suggests avenues for further research.
7. Research and managerial relevance

This paper analyses a global forest products company's, Stora Enso's, engagement with non-governmental organizations globally and in five countries. The study argues that the institutional context and especially the national NGO base have important implications on how business–NGO engagement takes place in practice. The paper has three key theoretical contributions. Firstly, NGO engagement forms are categorized into three general engagement strategies (sponsorship, dialogue and partnership). Thus, different forms and strategies of engagement between businesses and NGOs are analyzed simultaneously as well as comparatively, instead of the common focus in existing studies on a single form at a time. In this way, the collaboration portfolio first discussed by Austin (2000), is elaborated and widened to include adversarial relations. Second, a general model of international corporate responsibility is adapted to the NGO context (Fig. 2) and studied empirically. This modified model introduces the new concept of civil society distance into international business literature and analyses it empirically. Thirdly, the paper develops nine propositions based on the case study—four on the link between company engagement motives and engagement strategies, four on the effect of civil society distance measures on engagement strategies, and one on the effect of inexperience on engagement. Thus, this single case study is able to develop theory on an important and timely research topic.

Based on the study, suggestions for further research can be provided. Firstly, further empirical studies on civil society distance can help refine the concept and its measurement. Quantitative analyses across countries and industries can test the propositions developed in this paper. Secondly, longitudinal analyses of the development over time of a single business–NGO relationship from both perspectives should be conducted to better understand the dynamics of engagement. Matching objectives and expectations of both actors is an important part of business–NGO cooperation. Thirdly, qualitative research can also shed more light on the measurement of business or financial and societal outcomes of different forms of engagement. Finally, the implementation of specific tools and knowledge management in NGO engagement should be conducted. All in all, these types of studies can lead to a better understanding of a rising topic in the field of international business—the relationship between companies and NGOs.

This study has the several managerial implications. First of all, NGO engagement can be seen as a strategic issue linked to business performance in addition to corporate responsibility and sustainability and a proactive stance can provide a company with various benefits. Companies need to understand the global pressures and opportunities related to the creation of partnerships, forms of voluntary governance (such as forest certification), stakeholder dialogue and philanthropy. In the engagement with NGOs, corporations can adopt a portfolio approach to evaluating strategic choices (sponsoring, entering into dialogue and partnering) that can be used simultaneously with different emphases. Each includes specific opportunities and threats, which are presented in Table 1. Portfolio thinking can help develop NGO relationships and allocate corporate resources efficiently and effectively. Companies should also match their engagement motives and objectives with cooperation strategies and forms. It is important to note, that engagement does not mean that the company needs to enter into a dialogue with all NGOs. Leaders have the decision to pick and choose to some extent. Furthermore, in terms of organizing for NGO engagement, the case offers one potential model—that of decentralized responsibility within functions—but coordinated through a committee at headquarters level. Other forms can be either decentralized and uncoordinated (with loss of control and difficulties of knowledge management, but potential for innovative approaches) or centralized and coordinated (with strong control and knowledge management, but with potential ceremonial implementation and lack of innovation). Thus, in terms of relatively high control, opportunity for innovation, and relatively easy knowledge management with a committee and support team structure, the model adopted by the case company would seem to be efficient. In any case, the company needs to implement a job rotation so that learning and knowledge diffusion take place. This case study also introduces tools for issue and NGO identification including country-level analyses, systematic dialogues with various stakeholders, surveys, and lists of actively followed NGOs. The study also offers ideas on how national NGO bases can affect engagement strategies. Differences in the civil society of various countries should be taken into consideration as one factor in multinational management and internationalization decisions. Finally, in new institutional environments, United Nations’ agencies can serve for instance as third party evaluators in assessments.

Appendix A. Interview guide

Questions related to interviewee:

- How long have you been employed at Stora Enso and in which positions?
- Are you currently involved with dealing with NGOs at the company? How and since when?

General background questions:

- How would you describe the relationship between Stora Enso and NGOs?
- To your knowledge, how long has the company worked with NGOs and has the relationship with NGOs changed over time? How?

Strategic questions related to NGO cooperation:

- Why does your company cooperate with NGOs?
- What are the benefits of the cooperation for the company?
- What are the disadvantages of the cooperation for the company?
- What external and internal factors affect NGO engagement on the headquarters level?
- To your knowledge, does the company have a strategy, policy or guide for NGO cooperation?

Practical questions related to NGO cooperation:

- Who is responsible for NGO relations at HQ level?
- How many people are involved in NGO relations?
- What takes place at the HQ level, in regional/national offices and at the factory level?
- With which NGOs are you working with globally?
- What kind of NGOs do you engage with? What are the most important attributes of an NGO for your company?
- What types of engagement forms (adversarial and cooperative) do you have?
- How do you identify the “important” NGOs?
- What external and internal factors affect the initiation of NGO engagement?
- In what kind of decisions do you involve NGOs?
- How do you engage or dialogue with NGOs in terms of decision-making?
- How does dialogue take place in practice?
- How do you see your company’s NGOs relations will develop in the future?
Cross-national comparison questions:

- Do you think your NGO cooperation is different in Finland, Poland, China and Brazil? How?
- With which NGOs do you engage with nationally or locally?
- What are the most important strategic, organizational, decision-making, and practical differences related to your stakeholder management between these countries?
- What are the external and internal factors that affect your NGO cooperation in these countries?

Final questions:

- Is there anything that has not been asked, that you would like to add or that you think is relevant about your company’s NGO engagement?
- What other Stora Enso employees are involved in NGO relations?

References


