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Succesful Companies' Immunization to Global Economic Crisis: Understanding Strategic Role of NGOs

Suleyman Gokhan Gunay, and Gulsevim Yumuk Gunay

Abstract**—**One of the most important secrets of succesful companies is the fact that cooperation with NGOs will create a good reputation for them so that they can be immunized to economic crisis. The performance of the most admired companies in the world based on the ratings of Forbes and Fortune show us that most of these firms also have close relationships with their NGOs.

Today, if companies do something wrong this information spreads very quickly to do the society. If people do not like the activities of a company, it can find itself in public relations nightmare that can threaten its repuation. Since the cost of communication has dropped dramatically due to the vast use of internet, the increase in communication among stakeholders via internet makes companies more visible. These multiple and interdependent interactions among the network of stakeholders is called as the network relationships. NGOs play the role of catalyst among the stakeholders of a firm to enhance the awareness. Succesful firms are aware of this fact that NGOs have a central role in today's business world. Firms are also aware of the fact that they can enhance their corporate reputation via cooperation with the NGOs. This fact will be illustrated in this paper by examining some of the actions of the most succesful companies in terms of their cooperations with the NGOs.

Keywords**—**Network relationships, cooperative behaviors, corporate reputation, immunization to crisis.

I. Introduction

OUR world encounters one of the biggest economic crisis in its history. Some of the companies faces bankruptcies as a result of this challenging economic crisis. On the other hand, some companies do not show too much negative signs in terms of their performance (e.g., sales, market value, profits, assets, and market value) as a result of global economic crisis. This fact is very obvious when the top 50 companies in the list of Fortune Magazine's World's Most Admired Companies and the top 100 companies in the list of Forbes Magazine's Global 2000 are examined carefully. It is obvious in these two famous lists that most of the top 50 companies that are shown as the world's most admired companies by Fortune also appear among the top 100 companies in the list of Forbes Magazine's Global 2000. One of the most important strategies of these companies is their relationships with the important NGOs that monitor them closely.

Suleyman Gokhan Gunay is with the Department of Business Administration, Faculty of Economics and Administrative Sciences, Trakya University 22030 Edirne, Turkey (phone: 00 33 683 15 27 78; e-mail: suleymangokhan@gmail.com).

Gulsevim Yumuk Gunay is with the Tourism Administration Department, Applied Sciences College, Trakya University 22030 Edirne, Turkey (e-mail: gulsevimyumuk@trakya.edu.tr).

NGOs will play the role of catalyst in the 21st century. Since the cost of communication has dropped dramatically due to vast use of Internet, the increase in communication among stakeholders via Internet makes firms more visible. Therefore, any bad or good news about firms in any place of the world can be learned easily by the stakeholders of firms via communication technologies. Stakeholders can react to these events instantly but these reactions do not affect firms if they are dispersed. There are many events which showed us that only organized reactions of stakeholders can produce effective results in terms of influencing firms. NGOs have a central role in creating these organized reactions that are used for making firms to work for the benefits of their stakeholders. Since firms cannot exist without the support of their stakeholders, making firms work for the benefits of their stakeholders by the help of NGOs should be deemed as a normal situation. There are five major variables (network relationships, cooperative behaviors, corporate reputation, immunization to crisis and sustainable growth) that determine the relationships between firms and NGOs. First, these five variables will be explained in details. Second, some of the cases about cooperative relationships between NGOs and firms will be presented. Finally, implications of these relationships will be interpreted based on these five variables. As a result, the important role of NGOs that initiates information flows among stakeholder group and organized actions about firms (i.e., NGOs play the role of catalyst among stakeholders and firms) will be presented in this paper.

II. Network Relationships

The multilateral relationships among firms and their stakeholders refers to the process of network relationships [1]. Today, any bad or good news that is done to the members of a stakeholder group quickly spreads to other stakeholder groups. If stakeholders of a firm do not like the action of a firm, it can find itself in public relations nightmare that can threaten its existence [2]. The increase in communication among stakeholders via internet [3], [4] makes companies more visible. These multiple and interdependent interactions among the network of stakeholders constitutes the firm [5], [6], [7], [8], [9], [10]. This phenomenon is called as the network relationships. As can be seen in Fig. 1, there are many multilateral interactions among stakeholders in and around firms. Thus, management scholars and managers recognize that there are complex interactions and network effects between the firm and its stakeholders [11]. Therefore, finding ways or strategies to manage the communication across

stakeholder groups is the most important issue [12] in today's business world. NGOs may have a central role in terms of initiating network relationships among stakeholder groups. When pressure groups (NGOs) protest the unethical behaviors of a firm, they also initiate the flow of information about the relevant firm's behaviors (i.e. they initiate network relationships among them). In other words, NGOs are catalyst to enhance the communication and to initiate network relationships among firms' stakeholders [7], [10]. In sum, the process of network relationships emerged as a result of development in communication technologies and NGOs, which eased the information flows among the stakeholder groups. Succesful companies are aware of this fact that the best strategy to be succesful is to cooperate with the NGOs so that a good reputation can be created.

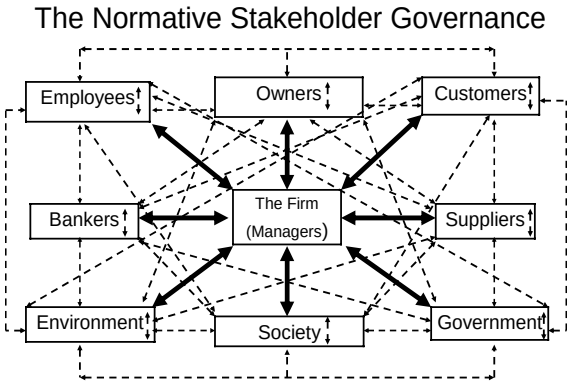

Fig. 1 Network relationships

III. Cooperative Behaviors

When a firm moves with its stakeholders [12] or when a firm forms collaborative relationships with its stakeholders [13] or when employees contribute voluntarily to firm [14] or when there is a collective action between the managers and employees [15] or when there is an unity of action in the organization [16] or when a firm honors its contracts, cooperates in joint efforts and delivers on time [17], the process of "cooperative behaviors" emerges in and around firm. The most effective strategy to form cooperative behaviors with the stakeholders is to cooperate with the well known NGOs such as World Wildlife Fund (WWF) or GreenPeace or World Resources Institute so that they will always spread good news about your company rather than bad ones. The most important mission of the NGOs is to serve to the needs of the civil society. Thus, well-known independent NGOs are expected to pursue the interests of society and monitor companies to achieve this mission. In other words, NGOs are bridge between firms and their stakeholders. In sum, if a firm wants to develop a sound strategy in terms of responding to the needs of its stakeholders, it is expected to form cooperative behaviors (e.g. being an environment friendly company or producing high qualified products) with the well-known independent NGOs.

IV. Good Corporate Reputation

The importance of generating a good corporate reputation is emphasized by some scholars [18], [19]. When a firm wins broad public acceptance in a complex business environment [20], good corporate reputation emerges as a business result. A good reputation, which emerges when stakeholders have a positive opinion about the firm, is very important for the firms because it can act as a buffer when things go wrong [12]. A good corporate reputation may also aid to the customer loyalty and foster the feeling of trust between a firm and its stakeholders [5]. A When organizations build good reputation, they also reduce the costs of social controls [18].

V. Immunization to Crisis

On the other hand, when a firm preserves its license to operate in changing circumstances [11] or when a firm is resilient to short-term shocks or crises [13], we talk about a firm's immunization to crisis as a business outcome. For example, a good reputation is very important for the firms because it can act as a buffer when things go wrong [12]. When the turbulent environment around the firms during recent global economic crisis is considered, a good reputation makes more sense for these firms because they have the chance to immunize themselves to economic crises or shocks by having a good corporate reputation.

VI. Sustainable Growth

Sustainable growth of the firm is the concern of many scholars [21], [22], [11]. Constituting an ongoing growth of the firm [15] is the definition for the sustainable growth of the firm as a business result. A stakeholder inclusive firm is expected to achieve sustainable growth [23]. Stakeholder perspective posits that forming good relationships with critical stakeholders leads to sustainable growth over time [11]. Firms are expected to achieve sustainable growth by forming systematic communication [24] or establishing active communication [3] with their stakeholders. Of course, the principle of mutual-interests is the underlying reason for sustainable growth as a business outcome. If a firm can align the interests of its stakeholders, sustainable growth of the firm can be constituted [15].

The importance of good corporate reputation can be seen during economic shocks or crisis. As can be seen in Fig. 2, firms that understand the importance of network relationships and form cooperative behaviors with the NGOs will be the ones that will achieve a good corporate reputation in the long term. Therefore, firms that achieve a good corporate reputation (e.g., firm B shown with the straight line in Fig. 2) is expected to produce better financial performance than the ones that ignore the importance of network relationships and cooperative behaviors with the well-known NGOs and produce a bad corporate reputation (e.g., firm A shown with the dashed line in Fig. 2) as a business outcome. In sum, firms that can achieve sustainable growth in the long term by emphasizing right relationships with the NGOs will more likely be the ones that will survive and prosper even during the economic shocks and crisis.

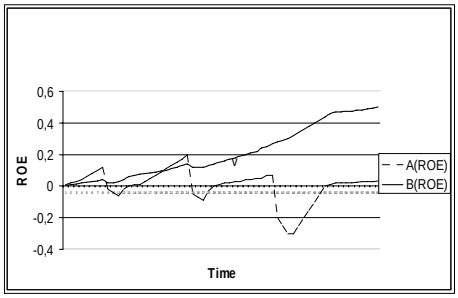

Fig. 2 Importance of Sustainable Growth during economic shocks or crisis

VII. The Cooperation between Firms and NGOs: United States Climate Action Programme and Climate Savers Programme

United States Climate Action Programme (USCAP) is an expanding alliance of major businesses and leading climate and environmental groups (i.e., NGOs) in United States that have come together to call on the federal government to enact legislation requiring significant reductions of greenhouse gas emissions. There are well-known companies such as General Electric, Protecter & Gamble, DuPont and CaterPillar among the founder companies of USCAP. There are four climate and environmental groups (Environmental Defence, Natural Resources Defence Council, Pew Center Global Climate Change, and World Resources Institute) among the founder NGOs. This cooperation between the NGOs and firms to reduce the gas emmision %80 until 2050 creates a good corporate reputation on the eyes of stakeholders because climate change is one of the most important issues in the 21st century. Climate Savers Programme is another collaboration between World Wildlife Fund (WWF) and the world's leading companies such as IBM, HP, Johnson & Johnson, Nokia and Sony. The purpose of this collaboration is to save deal with climate change issue by reducing the gas emmissions.

All of these companies are aware of the fact that commitment on reducing gas emmisions will increase their costs but they are also aware of the fact that the increase in their revenues due to compliance with the interests of society will be sustainable. These companies are also aware of the fact that compliance with the interests of the society will create a good reputation on the eye of their stakeholders (i.e., these companies are aware of the fact that their existence depends on their compliance with the interests of their stakeholders such as protecting the environment). When we look at the financial figures of some of these companies, these kinds of firms also still perform well during the global economic crisis. Thus, following a strategy, which is based on the cooperative behvaiors with the NGOs, created a good corporate reputation for these firms that act as a buffer during the global economic crisis (i.e. immunization to crisis).

VIII. Conclusion

The recent global economic crisis has led to bankruptcies of many well known companies. On the other hand, there are firms that still perform well during this crisis. Firms that cooperate with the well-known NGOs also serve well to the needs of their stakeholders, which is very important for their survivals. Firms are aware of the fact that they are surrounded by the network of stakeholder groups, which are organized by the NGOs. Besides, firms are well aware of the fact that NGOs play the role of a catalyst among stakeholders for the related information flows and organized actions about firms. Thus, some of the firms choose to cooperate with the NGOs so that stakeholders of these firms are satisfied with these firm's activities and continue their transactions with these kinds of firms. In other words, these firms are well aware of the fact that their cooperation with the NGOs is expected to create sustainable growth and a good corporate reputation for them in the long term. Therefore, it will be these kinds of corporations that will survive and prosper during the global economic crisis. When the performance (e.g., Sales, market value, profits, assets, and market value) results of these firms are examined, it can be seen that the most admired firms in the world are the ones that still perform well during recent the global economic crisis.

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