

NGOs and international business research: Progress, prospects and problems

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Civil society, and non-government organizations (NGOs) in particular, have become a research interest in international business (IB). The purpose of this paper is to review scholarly understandings of the nature and significance of NGOs in IB. Contributions from complementary research domains are also explored with a view to encouraging greater interdisciplinary integration in analysing the NGO sector and in particular its relations with multinational enterprises (MNEs). These domains are: strategic alliances and resource dependency; global governance and multilateralism; public management; and regulation theory. The primary argument is that such interdisciplinarity may facilitate more innovative IB treatments of the role of NGOs, reflecting more adequately their strategic environment and motivations. Moreover, including a multitude of perspectives helps to address broader issues identified by scholars as pivotal to the future standing of the field: the nature of strategic agency among organizations other than MNEs; the interpretation of globalization and its implications for organizations; and whether IB is too isolated from the other social sciences.

Introduction

Non-government organizations (NGOs) are organizational actors that do not belong to either the government sector or the for-profit/market sector. They represent communities, social and political movements and special interests of all ideological persuasions and at all geographical levels from the local to the global. Being non-state and non-market, they are often referred to as constituting the 'third' sector and are the organizational representatives

of 'civil society'. Non-government organizations have become a research interest in international business (IB), and recent years have seen the maturation of perspectives. Traditional neglect and an all but exclusive multinational enterprise (MNE) focus have given way to more serious contemplation of the characteristics and motivations of NGOs. Though initially the literature often assumed the NGO sector was naturally hostile to MNE cross-border expansion, more recent analyses have viewed NGOs as strategically mature

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organizations which interact legitimately with other IB actors. Non-government organizations are now seen as participants within a multi-sector model of governance alongside governments, inter-governmental organizations such as the United Nations (UN) and the World Bank, and MNEs. Other accounts have extended this approach by calling for research which views NGOs as organizations in and of their own right, which are worthy of analysis as variously autonomous and interactive agents. The direct application of MNE-centred IB frameworks to the NGO sector has also been encouraged.

As the current paper demonstrates, however, complementary literatures should be considered before the IB research agenda can move significantly forward empirically. The primary objective of this paper is to review scholarly understandings of the nature and significance of NGOs in IB. Contributions from both IB and associated research domains are explored with a view to invigorating interdisciplinarity in NGO research. This is required in particular to understand NGO–MNE relations better. In discussing the usefulness of multiple perspectives, the research domains reviewed are: strategic alliances and resource dependence; global governance and multilateralism; public management; and regulation theory.

The primary argument of the paper is that interdisciplinarity may benefit IB research by facilitating more innovative and accurate assessments of the role and status of NGOs and their strategic environment and motivations. Considering multiple research traditions helps to address broader issues identified by IB scholars as instrumental to the future standing of the field. In particular, IB stands to offer different assessments of: agency among IB actors other than MNEs; the nature of globalization and its implications for organizations, both MNEs and NGOs; and whether the field is too isolated from the other social sciences and, in particular, whether interdisciplinary research can answer existing IB questions more effectively.

The first section of the paper reviews NGO research within IB. The second section discusses the three complementary research domains identified as integral to broadening the IB research agenda on NGOs. Finally, the third section gives consideration to the broader issues raised by the literatures reviewed and their implications for IB research.

Progress: NGOs and International Business

Non-government organizations form a subset of organizations within civil society. Whether international, regional, national or locally based, the NGO category includes all actors that do not belong to either the government sector or the for-profit/market sector (Anheier 2004; Salamon *et al.* 1999). Civil society also encompasses community and activist groups, religious organizations, trade unions, industry associations and ‘social movements’ representing socially and/or economically disadvantaged people. This includes labour interests, women’s movements, people with disabilities, activists defending human rights and poor and otherwise disadvantaged groups (Clark 2003; Edwards 2004; LSE/CCS 2007). Conceptually, NGOs also represent interests from diverse political orientations and range from human development and environmental organizations to gun lobbies.

Many NGOs are organizational manifestations or representatives of social movements (Anheier 2004; O’Brien *et al.* 2000). Some NGOs are mainly service providers, some are advocacy based, and many combine the two. Non-government organization service provision includes humanitarian relief or social welfare programmes focused on issues such as health and education (Gordenker and Weiss 1996; Willetts 2002). Advocacy involves ‘the pursuit of influencing outcomes – including public-policy and resource-allocation decisions within political, economic, and social systems and institutions – that directly affect people’s lives’ (Cohen 2001, 8). Non-government organizations advocacy strategies include:

lobbying of consumers, firms, national governments and global and regional inter-governmental organizations such as the Asian Development Bank, the World Bank and the International Monetary Fund; research; petitions; demonstrations; and forums and media work. Combinations of these activities are often effected, frequently as part of comprehensive campaigns on particular issues, such as human rights, education or trade reform (Bryer and Magrath 1999; Edwards 1993).

The profile of NGOs in relation to business, management and society has been raised significantly over the last two decades, principally through their consultation status within a diversity of prominent global inter-governmental organizations ranging from the UN to the World Trade Organization (O'Brien *et al.* 2000; UN 2007). They have also been central to the creation of greater society-wide awareness of international social and political causes (Parker and Selsky 2004; Selsky and Parker 2005) such as environmentalism, social and economic development among the poorer countries of the world, and the elevation of a wide range of more specific issues such as domestic violence, mental illness and the abolition of landmines and cluster bombs. Despite this, NGOs have been relatively absent from mainstream scholarly management and broader business studies literatures and thus they remain significantly less well understood than their for-profit counterparts.

However, in the realm of IB activities, NGOs have had a growing presence over the past two decades (Doh and Teegen 2003), particularly in relation to the encouragement and implementation of corporate social responsibility programmes (Doh and Guay 2006), and a longstanding and very large literature in allied research traditions has been in existence, particularly since the mid-1990s. In his review of the IB research agenda to date, Buckley (2002) notes the increasing role of NGOs in the global context, suggesting they may be an important focus for research. A body of research has sought to shed light on the sector, its various activities and its implications for

IB theory and practice in general (see, for example, Arts 2002; Berger *et al.* 2004; Deri 2003; Doh and Guay 2004; Doh and Teegen 2003; Edwin *et al.* 2000; Millar *et al.* 2004; Ramia 2003; Spar and Le Mure 2003; Teegen *et al.* 2004). Arguably the most significant of this line of scholarship has focused on the direct and indirect implications of NGO activities for the strategies of MNEs, the formulation of government policy, and the governance of foreign direct investment (FDI) (Doh and Teegen 2002; Teegen 2003). The governance of society can be seen as a dynamic and overlapping relationship between the state, business and civil society sectors, the influence of each differing across nations, regions and areas of activity (Smith *et al.* 2006). While IB scholars have traditionally theorized FDI governance as a two-way exchange between the business and government sectors, the increasing global reach of NGOs has suggested to some that more NGO-inclusive frameworks are needed to account better for the emergence of 'third sector' or civil society actors (Doh 2003).

Consistent with this, using the circumstances of infrastructure privatization, Doh and Teegen (2002) demonstrate how a model adapted from stakeholder and agency theories may be useful to MNEs and governments in evaluating the impact of NGOs on investment projects (Doh and Teegen 2002, 676). In a similar vein, Spar and Le Mure (2003) sought to determine the factors that shape MNE responses to NGO activism. Using three industry case studies – Unocal, Nike and Novartis – they argue that the responses of individual firms can be systematically linked to consideration of transaction costs, brand image and competitive positioning, as well as the personal motives and beliefs of MNE senior management. The overriding theme of their analysis is that NGO concerns increasingly are, and indeed often should be, factored into MNE strategy formulation.

An additional significant body of research has focused on the potential for MNE–NGO alliances and their contribution to corporate

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strategic success (Argenti 2004; Arts 2002; Berger *et al.* 2004; Deri 2003; Edwin *et al.* 2000; Millar *et al.* 2004; Parker 2003). This is the most voluminous dimension of the NGO literature in IB and, as argued below, is most transparently amenable to interdisciplinary analysis. Partly as a result of NGO activism, MNEs have become increasingly aware of the need to demonstrate the environmental and social sustainability of their work, and have looked to engage the technical expertise and on-the-ground experience of NGOs through alliances (Austin 2000; Brinkerhoff 2002; Yaziji 2004; Zadek 2001). Austin (2000), for example, uses the case of Starbucks and the US branch of the NGO CARE (Co-operative for American Relief Everywhere). While initially philanthropic in nature, with Starbucks donating to CARE projects and selling coffee samplers originating from CARE project countries, the relationship has evolved into a two-way exchange of ideas and management personnel, including joint design of workplace codes of conduct for Starbucks' coffee plantations and factories.

Taking the NGO sector as a whole, Teegen *et al.* (2004, 13–16) propose a comprehensive IB research agenda, which comprises three main streams of analysis. First, they argue for rethinking the definition, scope and dynamism of organizations' institutional environment in IB scholarship. Here they note the potential value of a 'co-evolutionary perspective', which seeks to explain how NGOs and MNEs shape and adapt to their shared environment (Lewin and Volberda 1999). Second, building on recent analysis on FDI governance and NGOs (see, for example, Doh and Teegen 2002; Spar and LeMure 2003), they point to the need for further refinement of frameworks used to explain the impact of NGOs on MNEs, and the potential shift from a two-sector to a three-sector FDI bargaining model. Third, and of primary concern in the current analysis, Teegen *et al.* (2004) question the basic definition and pre-eminence of the MNE in IB. They contend that NGOs are organizations worthy of analysis in their own right,

stemming from their value-creating activities and from their embrace and emulation of complex multinational operations and management strategies. In these ways, NGOs resemble their for-profit counterparts; an issue taken up in the discussion of global governance in the next section.

Teegen *et al.* (2004) point to a number of existing IB research streams that could be extended to encompass analysis of NGOs. In particular, they argue for an extension of Peng's (2004, 106) proposition, that the central question in IB is 'What determines the international success and failure of firms?', to include analysis of not-for-profit organizations. They also support calls to revive comparative IB research (Shenkar 2004). Dunning's (1988) 'eclectic paradigm' is proposed as one possible framework for this purpose, on the assumption that NGOs may similarly leverage ownership, location and internalization factors (OLI) to operate in increasingly commercialized global settings. Comparative analysis allows for more precise explanations of the similarities and differences in behaviour between institutions, organizations and organization types, notably relating to the NGO and MNE sectors.

These areas are, to date, not extensively developed within the IB literature. One application which has seen progress, however, is that of strategic alliances.

Strategic Alliances and Resource Dependency

As the main area that has linked NGO analysis to MNE-based frameworks in IB, strategic alliances represent a key application of Teegen *et al.*'s (2004) call for NGO-centred research. The growth in inter-firm co-operation evident over the past two decades (see, especially Contractor and Lorange 2002; Dunning 1997) has been emulated more recently by NGOs as they look to respond to economic, social and political challenges in their own context (Bryer and McGrath 1999; Lindenberg and Dobel 1999). Inter-related developments

are compelling greater co-operation among NGOs and between NGOs and MNEs. The bases of these challenges in global governance, public management and multilateralism are discussed in the next section, but the substance of the challenges should be summarized here.

First, the scale and complexity of contemporary social and environmental problems have necessitated engagement between organizational sectors, and NGOs have increasingly looked to co-operation, not only with like-minded NGOs but with a diverse range of civil society actors, MNEs, and governments and inter-governmental organizations (Bryer and Magrath 1999; Clark 2003; Lindenberg 2001). Co-operation within and across sectors has been greatly facilitated by advances in communication technologies, particularly those of the Internet (Edwards 2001; Keck and Sikkink 1998), and the pluralization of governance at the global level, as reviewed in the following section. Civil society actors, including NGOs, have been afforded greater consultative and contractual rights with inter-governmental organizations, such as the UN, the European Union and the World Bank as a result (see, for example, Held and McGrew 2002; Nye and Keohane 2000; O'Brien *et al.* 2000).

Consistent with their MNE counterparts (see Contractor and Lorange 2002), NGO alliances vary in terms of their purpose, membership and intensity of co-operation. Alliances may be operational or advocacy-focused, and they may take intra-sectoral and inter-sectoral forms. Operational alliances may result in NGO co-ordinating committees designed to respond to humanitarian crises; such as was the case with the Geneva-based Steering Committee on Humanitarian Response (Lindenberg 2001). These alliances may also involve more legalistic, contractual arrangements between states, inter-governmental organizations and NGOs for the delivery of health or education projects to impoverished communities (Brown *et al.* 2000). However, advocacy alliances may include those formed between Northern (or developed world) and Southern (or developing

world) NGOs to lobby the World Bank for greater attention to the environmental and social sustainability of the Bank's structural adjustment policies in countries provided with loans (Brown and Fox 1998); and the UN's Global Compact, which seeks to foster greater co-operation between the UN, MNEs and civil society actors, in commitment to nine core principles covering human rights, labour rights and the natural environment (Kell and Ruggie 1999; UN Global Compact 2007).

Like the alliances of MNEs, NGO alliances also vary in terms of longevity and intensity of co-operation, ranging from short-term contractual arrangements for the delivery of services, to long-term collaboration formed for a number of purposes and covering a diverse range of issues. In the context of NGO advocacy, Yanacopulos (2005) argues that civil society co-operation can be classified into two main types: networks and coalitions. Distinguishing between the two forms, she suggests that differences relate to their issue coverage, degree of permanency and commitment of resources. Networks generally have a single-issue, thematic focus, and are temporary, with their primary role being the sharing of information between members. For instance, the Jubilee 2000 debt relief campaign is an international network of NGOs, church and labour groups that has campaigned for debt-relief for the world's poorest nations (Collins *et al.* 2001). By comparison, coalitions are seen as signifying more formal co-operation, with permanent staff members, a permanent membership and headquarters/secretariat. Coalitions are often established as organizational entities in their own right, such as Oxfam International. Another is the Bretton Woods Project (BWP), a London-based organization supported by 27 of the largest international NGOs, concerned with monitoring a range of World Bank and IMF policies and projects (Yanacopulos 2005, 100).

Whether network or coalition, NGO alliances have been analysed with reference to resource dependency theory. The resource dependency perspective seeks to explain how organizations

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react and adapt to the resource constraints of their environment (Pfeffer and Salancik 1978). It suggests that the survival and ultimate success of organizations is dependent on their ability to acquire and maintain control of scarce resources in the environment; such as monetary or physical resources, information, and social legitimacy. Instability in the supply of these resources forces organizations to interact and exchange with other actors. In this way, complex interdependencies emerge between the actors. When a particular resource is critical to an organization's survival or success, the organization is likely to attempt to either control it or co-operate with organizations that can provide it or regulate its provision.

Yanacopulos (2005) has sought to apply the resource dependency perspective to NGOs as a means to explain how their resource constraints impact on their strategies and alliances. She argues that, like their MNE counterparts, NGOs form alliances as a specific organizational strategy through which to acquire control over needed resources, and to achieve political influence. Of the main resource bases, 'legitimacy' is perhaps the most critical indicator of NGO influence (Suchman 1995, 574; Yanacopulos 2005). As they have looked to expand their role in global governance, NGOs have faced mounting pressure to establish their legitimacy in the eyes of a range of stakeholders, including the media, governments, inter-governmental organizations and other civil society actors (Brown and Moore 2001; Hudson 2000). In IB, MNEs are the most important mediator of legitimacy.

The motivations and status of these stakeholders are best understood by reference to other research domains, as discussed in the following section.

Prospects: Complementary Research Domains

Analysis of NGO–MNE relations, and of the status and role of NGOs in IB, is aided by

reviewing frameworks which address the strategic and governance environment faced by both of these organization types. As argued in the final section of the paper, together these frameworks also contribute to the understanding of globalization, the nature of organizational agency in IB, and potential role of other fields in IB studies.

Global Governance and Multilateralism

Global governance is the study of how institutions, organizations and individuals interact to formulate social and economic conditions at the global level. It considers the role of formal global entities of the kind dealt with in the current paper (e.g. Dawkins 2003; Held 2004), but also national and local institutions such as governments and public bureaucracies, education systems, economic systems and business organizations, as well as less formal entities such as communities and the family (King and Schneider 1991, 181–182; Rosenau 2000, 181).

Together, all these institutions and entities interact in a complex, multidirectional manner. It is this which underpins the 'multilateralism' of global governance (see, for example, Cox 1997; O'Brien *et al.* 2000); which has its own context in the larger phenomenon of globalization, implying greater complexity and diffusion in power relations and increased inter-connectedness between individuals and interests in all aspects of contemporary social life (for a comprehensive and general review on these aspects and the associated debates, see especially, Held and McGrew 2000). As part of this changed picture of international affairs, some scholars argue that MNEs have become more powerful, nation-states have become less influential, and civil society has been reconfigured to fill deficits in the administration of global social justice and democracy (e.g. Deacon 2007; Held 2004; Yeates 2001).

As part of this increased role within the process of global governance, NGOs – though mainly the formal, globally integrated organizations – are

a highly significant political actor and organizational sector. Despite the existence of hundreds of thousands of smaller NGOs worldwide, and over 20,000 smaller international NGOs, it is the more dominant, global organizations which form the focus in the current analysis. The largest and most analytically important NGOs are in the fields of international development and poverty relief (such as Oxfam), the natural environment (such as Greenpeace), and health (such as Médecins Sans Frontières) (Stubbs 2003). The global NGO sub-sector has undergone a process of consolidation, resulting in a partially 'oligopolized' industry structure (Donini 1996, 91; Gordenker and Weiss 1996, 218). Though few up-to-date data are available in the area of humanitarian relief, in the mid-1990s the eight largest NGOs in the field 'account[ed] for what may be 80% of the financial value of assistance in complex emergencies' (Gordenker and Weiss 1996, 218). These 'supra' NGOs include: CARE; Oxfam 2007; World Vision International; and the Save the Children Federation (CARE 2007; Oxfam International 2007; World Vision International 2007).

As argued elsewhere (Ramia 2003; Teegen *et al.* 2004), the consolidation of the NGO sector has driven the transition of management strategy in the larger NGOs closer to the strategy models of MNEs. A key manifestation of this strategy commercialization can be seen in the role of NGOs in implementing inter-governmental development projects; including those of the World Bank, the European Union and the UN. In connecting with this theme, Weiss (1999) points out that, with the elevation in the role of NGOs in global governance, OECD countries have become more favourable to NGO involvement in project implementation; but increasingly these projects are of a 'retail' rather than a 'wholesale' nature. This implies that NGOs are often at the client or consumer end of the value chain, being intimately engaged in social and development programme execution. Weiss (1999, 13) also points to a 'privatisation' of

development, driving NGOs to take on MNE-type strategies. When combined with the increasing tendency for the UN to 'devolve its responsibilities to NGOs', it becomes clear [to some] that we have witnessed the creation of 'market-driven' development assistance. Consistent with this, Smillie (1995) argues that global NGOs have traded long-term social and developmental impact for growth and short-term child sponsorship and emergency work. His general argument is that NGOs increasingly 'bear an uncanny resemblance to transnational corporations' in their strategic behaviour. Like many transnationals, they have maximized growth through the successful international manipulation of pricing, marketing and product (Smillie 1995, 212).

Yet, consistent with the IB literature reviewed in this paper, in order to explain fully the commercialization of NGO strategy, there is a need to examine the role of MNEs in global governance and in relations with NGOs. One dimension of the MNE role in governance is seen in what some scholars refer to as the 'business' of aid (see, for example, Shawcross 1996; Wagle 1996). Wagle (1996), for example, uses the case of the corporation Enron (currently still in a process of liquidation) in its combination of economic and social investment projects in India in the mid-1990s, at which time it established a power plant concurrently with health facilities and other infrastructure for the Dahbol community. Enron argued that, like other MNEs, it was effectively acting as a 'replacement' for traditional aid agencies. As part of the same commercialization trend, though with different features, MNE involvement in global governance can also be seen in the UN system. Lee *et al.* (1997, 341), for example, demonstrate with reference to governance in the global telecommunications, transportation and natural resources sectors, that MNE interests have become prominent within the system. Multinational enterprises must be consulted before UN policies are implemented. For these authors, this illustrates the emergence of public-private co-operation through the efforts

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of 'a transnational managerial class' cutting across both sectors.

These changes in the MNE and NGO sectors imply value for IB research in testing a key proposition: that the shifts in global governance have substantively affected NGOs by prompting them to take on organizational structures and management strategies similar to those of MNEs (see Ramia 2003). On the other side, the proposition that MNEs have taken on more 'social investment' for international development purposes is also worthy of attention. In order to encourage and facilitate discussion of both propositions in the empirical literature, it is important to outline the roots of global governance and multilateralism in national-level public management concepts.

The Public Management Roots of Global Governance Change

Shifts in the concept of multilateralism in global governance can inform IB-based empirical analysis of MNE–NGO relations. Global governance analysts generally refer to an 'old' and a 'new' multilateralism (see, for example, Jayasuriya 1999; NGLS 1995; O'Brien *et al.* 2000; UNDP 1999). Whereas the 'old multilateralism' was largely 'top-down', with nation-states still powerful actors in the global governance system through their membership to inter-governmental organizations, the new multilateralism is more 'bottom-up', allowing greater engagement with global civil society, principally through the NGO representatives of social movements.

In turn, these shifts in multilateralism have their roots in public management. The general trajectory of public administration – now referred to as public management – through the twentieth century was highly consistent with the bureaucracy theory of Max Weber (1964). The bureaucratic environment formed the institutional basis for the traditional public or civil service and public sector (see, for example, Newman 1998). These systems have undergone a major transformation since the early 1980s, however, public administration

having gradually given way to ever-greater reliance on market imperatives in the management and governance of the public sector and in the mix between the public and private modes of production and provision. The name given to this shift was the 'new public management' (NPM) (see, especially, Aucoin 1990; Hood 1991; Hood and Jackson 1992; Pollitt and Talbot 2003).

The NPM agenda is now mature in implementation in most developed countries; though the IB literature has not extensively connected with it. It saw the introduction of measures which altered the public sector's structure, elevated the importance of 'strategic management' and recast the notion of public ownership (Hughes 1998). As argued below, it also caused similar change in the non-profit sector at the local and national and subsequently the international levels. Included among the important changes – all of them emulated more recently at the global governance level – were: a sharper focus on (most often quantifiable) results or outcomes as opposed to (qualitative) processes; an elevation in cost-management and (economic) efficiency enhancement in the use of public resources; the devolution of management control, so as to 'let organizational managers manage'; the separation of commercial from non-commercial activities; a significant stepping up of market-style contestability and the increased use of contracting out of traditionally publicly provided services; and more emphasis on monetary incentive schemes (Boston *et al.* 1996, 26; Hood and Jackson 1992, 182–183).

Management change resulting from the NPM agenda has spread to the NGO sector at the national and (more recently) global levels. Service organizations in the national and local spheres within the non-profit sector have been given little choice but to respond to the imperatives of competition set by government policy. As the work of non-profit sector specialist William Ryan (1999) demonstrates, the line between profit-seeking corporations and non-profit organizations has been considerably blurred, as the non-profit sector must

often compete against the public and corporate sectors for the right to do business. This blurring at the national level has occurred principally because of significantly increased recourse by governments to competitive tendering and contracting. Services and functions once traditionally only provided on a largely uncontested basis by either the public sector or the non-profit sector – both previously having a higher certainty of funding and thus viability of existence – are now subject to competition. Competition encompasses the corporate sector, corporations in some countries having lined up to answer governments' pleas for efficiency in service delivery. US-based defence manufacturer and private sector corporation Lockheed Martin provides a good example. In the 1990s, it won a plethora of contracts to provide welfare-to-work services in the US, including case management, skills training and job placement assistance (Ryan 1999, 127–128; see, for example, Carney and Ramia 2002; Considine 2001, Ch. 6; Kellie 1998).

Yet Lockheed Martin is a national-level example. Though tangible analogies for NGOs at the global level can be witnessed, mere replication of concepts in analysing the global sphere should be avoided, given the absence of an adequate global equivalent for the government of a nation-state. That is, public management technically assumes a governing authority with an ultimate legal monopoly over the recourse to legitimized state power in order to enforce change and policy. Despite this, it is relevant to note that the tendency to contract on a competitive basis is alive and well in supranational and global social and development programmes (de la Porte and Deacon 2000; Stubbs 2003; Wedel 2000). This occurs in a manner very similar to that of the national level under NPM. As de la Porte and Deacon (2002) demonstrate in their analysis of EU governance in relation to accession countries in Eastern Europe, private sector consultants, contracting companies and even key individuals can have major influence over the governance process. The impact of

this influence on NGOs, as Stubbs (2003) makes clear in his analysis of NGOs and MNE business consultancy companies, is to encourage ever-greater reliance on commercial 'projectisation' and short-termism in development. Understanding this is helped by appreciation of public management concepts.

The relationship between the various levels, and among actors, is illuminated by regulation theory.

Regulation Theory

The concept of regulation helps to put all the IB and governance frameworks together. More nuanced analysis of governance change calls on IB analysts to focus on regulation, and business in particular.

Regulation theory refers to a body of literature that has its origins in the disciplines of administrative, corporate and taxation laws. The distinctive trait of this stream of scholarly work, which stems mainly from law, is a critique of the tradition of viewing regulation as only 'top-down' – from the state to non-state institutions and communities (Black 2002; Parker *et al.* 2004; Parker and Braithwaite 2003). In particular, there is an awareness that scholars and practitioners in the field of law should broaden their scope to investigate different regulatory instruments and techniques, deal effectively with the multiple sources and foci of regulation, and identify and explore the ways in which various actors interact to constitute the 'regulatory' space (Black 2002, 2003; Braithwaite 2005; Cane and Tushnet 2003).

These calls have been prompted by events that occurred on a global scale, exposing the limitations and shortcomings of traditional, state-centred, legal approaches. In particular, the adoption of market-based policy prescriptions and associated regulatory norms by both national governments and international bodies such as the IMF, the WTO and the World Bank, have re-defined the regulatory space, in three distinct ways. First, the locus of regulation has become more decentralized as nation-centred

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regulation has been replaced by a multi-layered approach in which regulatory authority has been given over to both supra-national agents (e.g. the WTO) and to local bodies. Second, there has been a proliferation of regulatory techniques as state-centred, black letter law has been extensively replaced by hybrids that include, along with the former, instruments such as co-regulation, quasi-regulation and self-regulation.

The critical potential contribution of 'regulation' theory to the IB literature resides in the fact that both MNEs and NGOs are not simply conceptualized, as legal and traditional public management analysis assumes, as rule-takers but also rule-makers. This aspect is demonstrated empirically by Braithwaite and Drahos (2000) who show that, in constructing the 'regulatory' space, both MNEs and NGOs are active agents that foster the globalization of the rules or norms set in the global governance process.

The contribution of NGOs to the establishment of global regulatory networks, although relatively recent, is an area of particular interest for scholars that adopt a regulation perspective. Such an interest is generated by the recognition that both national and international NGOs play a pervasive role as regulatory agents. There is a well-entrenched tradition in the disciplines of labour economics and industrial relations of research on trade union activities in relation to a wide array of regulatory functions. These functions include: the conditions under which labour is supplied (Booth 1995; Pencavel 1991); the regulation of wages and working conditions (Blair and Crawford 1984; Gahan 2004); the regulation of Occupational Health and Safety schemes and training programmes (Braithwaite 1985; Parker *et al.* 2004). As suggested in the following section, analogous mechanisms can be seen in the world of NGOs.

Non-government organizations contribute to defining the global regulatory and governance orders within which MNEs, national governments and NGOs themselves operate (e.g. Braithwaite 2002, 2006; Jordana and Levi-Faur 2004; Picciotto 2002). This innovative line of

inquiry is pursued in regulation theory in two distinct directions. First, the activity of NGOs is investigated from a strategic point of view that explores the ways in which these organizations form alliances and lobby regulators, policy-makers and firms to achieve specific goals (i.e. international conventions or codes of conduct for MNEs). Second, NGOs are studied in their capacity as regulators.

In line with research in public management, both aspects tend to be investigated through an inductive and bottom-up, rather than a top-down, method. The central tenet of this approach contends that nodes of governance and 'circles' of guardians are initially established on a voluntary basis at the micro-level (i.e. the firm level) and then extended to the national and global levels (Braithwaite 2006; Braithwaite and Drahos 2000). The basic idea behind this approach resides in the notion that, in order to unveil the nature of global norms, it is necessary to explore how MNEs regulate themselves and respond to the challenge posed by NGOs on a micro basis (i.e. firm by firm). This is often referred to as 'responsive regulation' (Ayres and Braithwaite 1992; Braithwaite 2006; Selznick 1992) as law enforcers tend to be seen as 'passive' agents that intervene only to respond to the capacity or incapacity of firms to regulate their activities.

In exploring the first activity of NGOs, which refers to the establishment of alliances to influence the regulatory structure of the supra-national business order, regulation theorists add a fresh dimension to the global governance and IB literatures. They conceptualize NGOs as 'weak' agents that do not have the same financial capabilities or are unable to use the mechanisms of coercion available to either MNEs or powerful states. However, by using divide and conquer strategies, and by creating alliances with both MNEs and other NGOs – from which specific expertise is gained – NGOs can tie together multiple actors and create an alliance of interests that can significantly alter the regulatory order (Braithwaite 2006; Braithwaite and Drahos

2000). Through this process, NGOs and other civil society actors may achieve influence on regulatory policy that is disproportionate to their actual resources. An example of this strategy is the global banning of chlorofluorocarbons (CFCs) sanctioned by the Montreal Protocol. In this case, an initial alliance between Du-Pont and various US-based NGOs was successful in enrolling the power of the US state in first prohibiting CFC production within the US territory and subsequently persuading all the other nations, under the threat of economic coercion, to ratify a global moratorium on the production of CFCs in 1987. In this case an alliance between US MNEs and NGOs defeated a counter alliance of European MNEs and governments, while the activity of environmental NGOs became critical in tying together the interests of multiple actors.

The second crucial aspect on which regulation theorists focus is the activity of NGOs in their capacity as international regulators. As NGOs are increasingly used by governments and international bodies to provide services and relief, they prove to be crucial actors in spreading regulatory models internationally. Examples of this activity range from sanitation and health to accounting standards. These regulatory models are usually created in developed nations and then disseminated internationally through the actions of business actors, NGOs, supra-national bodies and nation states. The mechanism NGOs use more frequently is modelling. While powerful states such as the US can resort to the threat or use of military force to shape a regulatory regime, and wealthy actors such as the World Bank, IMF and a few MNEs may draw on economic coercion and systems of reward, regulation theorists agree that modelling is the primary mechanism available to weak actors in general and NGOs in particular to influence the regulation of business globally. Modelling is more than simply the process of imitation; rather, it can be defined as 'action(s) that constitute a process of displaying, symbolically interpreting and copying conceptions of action'

(Braithwaite and Drahos 2000, 581). This process has not been extensively incorporated into IB analysis, though its relevance is clear in light of the literatures reviewed in the current analysis.

Problems: Issues for International Business Research

As discussed in the first section of the current analysis, the call has been made, from within the IB scholarly community by Teegen *et al.* (2004, 477) for researchers to apply MNE frameworks to the NGO sector. More broadly, these authors argue that, just as Dunning's (1988) 'alliance capitalism' concept prompted a reappraisal of the OLI framework, 'many mainstream IB theories ... must be adapted and adjusted to better account for these ... increasingly important new actors'. The benefits which should accrue from this recommendation include: greater understanding of MNE-NGO relations; enhanced analyses of NGOs as organizations in their own right; appreciation of the governance and regulatory processes inherent to foreign direct investment and other internationalization projects of MNEs; and finally, a better understanding of the types of management strategies which might be employed by MNEs in dealing with the NGO sector, whether alliance, capitulation, challenge and contest, or others yet to be explored. Despite the value of these potential research agendas, however, Teegen *et al.* have not comprehensively explicated the range of literatures which inform understanding of the challenges which NGOs present for IB research.

The current analysis has sought to contribute to filling this gap in the IB literature base. The principal utility of doing so, as suggested by regulation theory, is better to assess the classification of organizations as strong and weak actors in the real world of IB. As discussed in the first section, the earlier IB literature often assumed that MNE-NGO relations were characterized in terms of responsive (perhaps weak) MNEs and forward-looking,

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pre-emptive (perhaps strong) NGOs. The argument is that, driven by their social movement constituency, NGOs are constantly on the lookout for MNE investment and other strategies to address, and that MNEs would need to react. For instance, using case studies of Unocal in Burma, Nike and labour conditions, and Novartis's strategies addressing NGOs against the pharmaceutical industry, Spar and Le Mure (2003) position these MNEs' strategies in terms of a 'calculus of response'. The possibility that firms – some firms, even if not the firms in their case studies – may indeed prompt NGOs to be responsive to MNEs was not seriously considered. For MNEs, regulation theory, and modelling processes in particular, offer different insight into how organizations (either MNEs or NGOs) may frame regulation patterns to their advantage. As the work of both IB and regulation scholars suggests, if MNEs are merely responsive to NGOs, they can leave themselves open to damaging public attacks that link them to labour exploitation, negative environmental impact and other pathologies. Further, by paying insufficient attention to the concerns of NGOs, an MNE may lose opportunities to pre-empt or align with the regulatory agendas of NGOs. As Spar and Le Mure (2003) point out, sportswear manufacturer Reebok has avoided much of the negative media publicity that has befallen industry rival Nike by actively looking to take a leadership position on workers' rights issues.

Resource dependency theory, global governance and multilateralism, public management and regulation theory indeed all prescribe that NGOs might be viewed as the more responsive party and as the sector of inherently weak actors countering corporate influence. As suggested by the resource dependency theory, for example, NGOs would most often require strategic alliances to gain sufficient influence to address what is viewed by them as corporate power. Regardless of the ideological and theoretical merits of this suggestion, there is an arguable case for IB analysis to explore the

empirical viability of the claim that NGOs are weak (or conversely, strong) agents. In short, the plurality of literatures reviewed here suggests that the strategic agency of both MNEs and NGOs may be worthy of reassessment. Such a reassessment may be of benefit to the cause of both MNEs and NGOs and, by implication, the communities they serve.

The current analysis probes Peng's (2004) argument that the central question of IB revolves around the causes of failure and success among MNEs, and raises the possibility that the non-profit sector may be an important actor, even if not the central one. To argue this is to be consistent with the field of strategic management, which has long included non-profit strategy as part of the ambit of legitimate strategy (see, for example, Courtney 2002; Stone *et al.* 1999). It is also consistent with the theory of multilateralism, which views plurality in governance interests as conducive to democratic shares of resources between the various organizational and political sectors (Cox 1997; Held 2004; O'Brien *et al.* 2000).

Problematizing strong and weak actors and assessing agency in the context of governance may also aid the interpretation of globalization in IB research. Analysis of MNE–NGO relations within the multilateral governance and regulatory systems may prompt questions on the positives and negatives of globalized and globalizing markets for organizations of all kinds. The field of IB has been part of the discussion on this, recognized most clearly in a meeting of the Academy of International Business in 1999 (Eden and Lenway 2001); which subsequently generated a small literature, composed typically of industry-based studies (reviewed in: Ramia *et al.* submitted). In their introductory survey of issues pertinent to the debate on the 'janus face of globalization' for IB, Eden and Lenway explain that:

MNEs have become a lightning rod for groups concerned about the various costs of globalization: social, cultural, political, and perhaps most

importantly, the economic costs. Although international business (IB) scholars and policymakers emphasise the benefits of globalisation and cooperative relations with MNEs, the public and non-governmental organisations have ignored these views and focused on the 'dark side' of MNE–state relations. (Eden and Lenway 2001, 383)

Understanding the polarity of positions on globalisation, Eden and Lenway argue, can be of significance to the field, in that 'when scholars look at problems identified with globalisation's dark side, they also often contribute to our understanding of the bright side' (2001, 383). Though not perfectly applicable, the relevance of this argument for the current analysis stems from the need to extend the understanding of MNE–state relations to MNE–NGO relations. Non-government organizations are important actors, as they are identified by some authors as being the main representatives of 'dark side' interests.

Finally, reassessing the positive and negative sides of globalization through the kinds of frameworks dealt with in the current analysis draws implications for relations between IB and complementary disciplines. International business scholars such as Buckley (2002) and Teegen *et al.* (2004) raise the possibility that IB may benefit from greater integration with other fields. In the latter case, economics, political science and sociology are identified (but not comprehensively reviewed) as prime candidates. Arguably, the frameworks discussed here cross each and all of these disciplines while also taking in law, through regulatory theory. Other possibilities exist as the list of fields to explore grows.

Conclusion

Non-government organizations have become a significant research interest in IB. Common understandings of NGOs and MNE–NGO relations within the literature require interdisciplinary treatment. This paper has reviewed the IB literature on NGOs, focusing on resource dependency theory and non-theoretical

contributions, alongside complementary frameworks from allied fields. The allied perspectives incorporated global governance and multilateralism, public management and regulation theory. Upon reviewing these literatures, the principal recommendation of the paper is that interdisciplinarity is a strong requirement for the IB field to advance in its endeavour to reflect real-world interaction between NGOs and MNEs, whether such interaction is characterized by hostility and incompatibility of goals, or shared interests. Consideration of multiple perspectives can also equip researchers with theoretical tools to assess at which times and in which settings certain or other strategies may be most beneficial to MNEs; or conversely NGOs. The current review suggests that NGOs may be one of the central actors, and thus potentially problematizes the central question of IB, recommending its extension to include the causes of success or failure of international non-profit as well as profit-making organizations and strategies.

In this way, IB research can better grapple with questions of relative agency among MNEs and NGOs. In addition, it may reflect on the inter-governmental and national government sectors. It may also evaluate under what circumstances each actor might require responsive and reactive strategies, or pre-emptive and forward-looking strategies. Questions of the strategic environment and motivation of NGOs become significant, and we argue here that improved understandings of these may be gained by greater recourse to global governance developments and in particular the multilateral aspects of governance. The relationship between these and public management concepts, particularly national-level developments, also becomes key. In turn, regulation theory puts many of the pieces between all the frameworks together, those both within and outside IB. When equipped with such theoretical tools, IB analysts may offer greater connections to allied fields within the social sciences, including economics, sociology and political science. Lest this be conceived as a fringe pursuit, prominent IB

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scholar Buckley (2002, 370) reminds researchers that, '[w]ithout a close interaction between theoretical development and empirical reality, international business could become a [sic] merely an area of application for applied concepts from other disciplines'. Following this logic, IB – and by implication MNEs – may deal better with globalization if research opens up to more diverse ways of viewing the phenomenon of globalizing markets, their limitations, and the actors which mediate market activity. This paper suggests that NGOs are such an actor.

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