

A New Challenge for Global Companies:

Successfully Managing MLO and NGO Relationships

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A telltale sign of the growing importance of multilateral organizations (MLOs) and nongovernmental organizations (NGOs) to companies today is the increased human resources dedicated to managing relationships with them. Five years ago, few companies could afford the luxury of staff dedicated to relationship management with such organizations as the World Health Organization, UNICEF, Amnesty International, the International Labor Organization, the International Federation of Red Cross and Red Crescent Societies, or Oxfam. Today, these relationships are considered crucial and multinational companies are investing the time and talent to ensure that their relationships with MLOs and NGOs are active and positive.

Yet, while companies are nurturing these relationships, and the field is awash in articles about the importance of MLOs and NGOs to companies, remarkably little is documented about how companies can best engage these multilateral and non-profit actors. Without thoughtful engagement strategies, companies risk undermining executive support and the consequent opportunities to turn relationships into mutual benefit.

FSG recently conducted a research exercise on behalf of Pfizer, Inc., to learn how five large multinational companies — GSK, Novartis, Unilever, Nestle, and BP — are working with MLOs and NGOs. As the largest pharmaceutical company in the world, with extensive relationships with many MLOs and NGOs, Pfizer is interested in bridging the gap of understanding between these two ostensibly disparate worlds. The benchmarking exercise shows that the five companies have learned how to manage relationships with MLOs and NGOs through smart strategies, experienced staff, open corporate cultures, and effective tools and management structures to manage the myriad of relationships.

The Relationship between MLOs/NGOs and Companies Today

Companies are prioritizing relationships with MLOs and NGOs for three reasons. First, NGOs are not only greater in number but more sophisticated now than ten years ago. The British research organization SustainAbility has documented the rise of the “21st Century NGO” that is savvy in working the halls of Congress, the corporate boardroom, and the

remote village. Second, there are increasing expectations that companies make a profit in ways that minimize harmful impacts and, in some cases, improve social conditions. MLOs and NGOs are often at the forefront of defining these new social expectations. Third, there is growing recognition that solving some of the world’s most pressing issues requires cross-sector collaboration, as evidenced by the launch in 2000 of the Global Compact and the growing number of public-private partnerships.

In response to these trends, companies’ attitudes to MLOs and NGOs vary from a defensive stance to proactive engagement. In the view of some companies, MLOs and NGOs are seen as burdens that regulate and foment trouble, by making companies the brunt of campaigns. Consider the example of Monsanto, where Greenpeace essentially blocked the company’s plans to introduce Genetically Modified Foods and Organisms (GMO) into Europe. Nike confesses that in the early years when it was the brunt of “sweatshop labor” campaigns, it maintained a defensive position by laying low or attempting to counter the bad press from NGOs and the International Labor Organization. Nestlé’s image is still suffering from the 1970s controversy over baby milk which organizations, such as IBFAN or BabymilkAction, are keeping alive, even though Nestlé actively supported the development of a code on breast milk substitutes.

Reflecting a more positive engagement, Nike has changed its ways and is now helping to lead the organizations it once viewed as adversaries. Companies now recognize the positive value that a partnership with an MLO and NGO can bring, such as legitimacy, awareness of social forces, distinct networks, and specialized technical expertise.¹ When Ford partnered with the Sierra Club in the launch of its new, higher-mileage SUV, the company was attempting to tap into the beneficial characteristics of one of the largest environmental groups in the world.

A Complex Set of Issues and Relationships

A review of the five benchmarked companies reveals a vast and varied set of issues and relationships that are cultivated at differing levels of engagement. Each company interacts with dozens of organizations on an equal number of issues

¹ Yaziji, Michael, “Turning Gadflies into Allies,” *Harvard Business Review* 1 Feb. 2004.

that range from the core business — nutrition for Nestle and energy for BP, for example — to issues of human rights, economic development, and intellectual property. This should be no surprise as these companies are global

enterprises, operating in most open countries and employing hundreds of thousands of people. The table below provides examples of some of the issues and the MLOs and NGOs that the five companies engage:

The Five Benchmarked Companies Engage on a Complicated Set of Issues and Interact with a Wide Range of MLO

Company	Sample of Issues	Sample of MGOs and MLOs
	<ul style="list-style-type: none"> • Infant Food & breast-feeding • Malnutrition, hunger, obesity • Free trade, fair trade • Sustainable Agriculture • Water • HIV/AIDS • Labor rights • Unemployment 	<ul style="list-style-type: none"> • UNICEF • World Health Organization • International Labor Organization • Sustainable Agriculture Initiative • International Federation of Red Cross and Red Crescent Societies • Rainforest Alliance • UNHCR
	<ul style="list-style-type: none"> • Global warming • Renewable energy • Education • Human Rights • HIV/AIDS • Disaster relief • Biodiversity preservation 	<ul style="list-style-type: none"> • World Wildlife Fund • Save the Children • Open Society Institute • Conservation International • United Nations Development Program • World Bank • Oxfam
	<ul style="list-style-type: none"> • Animal testing • Biodiversity • Genetically Modified Foods and Organisms (GMOs) • Water • Packaging • Transport 	<ul style="list-style-type: none"> • World Health Organization • UNICEF • Food and Agricultural Organization (FAO) • Oxfam • World Wildlife Fund • Sustainable Agriculture Initiative • United Nations World Food Programme (WFP)
	<ul style="list-style-type: none"> • Rational use of drugs • Marketing promotion • Access to medicines • Health care human resources • Anti-counterfeit issues • Intellectual property rights • Health prevention and education 	<ul style="list-style-type: none"> • World Health Organization • UNAIDS • UNICEF • World Intellectual Property Organization • World Trade Organization • United Nations Development Programme • Global Fund to Fight AIDS, Tuberculosis and Malaria • Oxfam • Médecins sans Frontières

Source: FSG analysis and interviews

Interactions with these organizations may originate in multiple ways and take various forms, clustered here into four categories, each requiring a greater level of investment and strategic support:

1. Observation/Assessment: This requires the least amount of attention and usually implies a company merely staying on top of developments on issues related to MLOs and NGOs.

2. Dialogue: This is probably the most common way companies engage MLOs and NGOs. Companies, MLOs and NGOs gain simply by trading information and perspectives on issues of common interest. For example, at the group level, BP

maintains relationships with a number of international NGOs engaging on both industry policy issues and on specific BP business projects. A growing number of companies view stakeholder engagement, through a collective platform, as an essential part of their reporting preparation process.

3. Convening/Problem Solving: This form of engagement is more action-oriented and time-intensive, requiring one party to take the initiative to gather relevant organizations around a shared problem or goal. Novartis is exemplar in this category through one of its active foundations, the Novartis Foundation for Sustainable Development. The

Novartis Foundation has created a platform for policy dialogue where a number of high-level convocations are held each year around particular themes. The foundation invites MLOs, NGOs, and other members of civil society to discuss an issue, such as “The Right to Health: A Duty for Whom?” the title of its 2004 symposium.

4. Proactive Initiatives: The most intensive among the four engagement approaches, proactive initiatives have become popular because they align with companies’ penchant for concrete results and are attractive to resource-limited MLOs and NGOs. Examples include Novartis’ Coartem antimalarial program in conjunction with WHO and GSK’s founding role as part of the Global Alliance to Eliminate Lymphatic Filariasis in conjunction with the WHO, Merck, and others. Such partnerships go well beyond sponsorship and include the contribution of company assets and the significant time of key corporate employees.

While these four broad categories describe how companies interact with MLOs and NGOs in general, they provide a mere starting point to understanding what it takes to create and maintain healthy, sincere, and productive relationships.

A Strategic Framework for MLO/NGO and Corporate Engagement

Research in the field of MLO/NGO interaction and interviews with the five benchmarked companies reveals that successful engagement depends upon five interlocking elements. Each of these elements is discussed below accompanied by examples from the five researched companies.

Engagement Strategy: Companies need to have a stated and coherent set of actions that define what the company is trying to achieve through its relationships with MLOs and NGOs. Stakeholder engagement strategy is a combination of the issues to focus on, the organizations to engage, and the approach to engagement (observation/assessment, dialogue, convening/problem solving, and proactive initiative development). It may sound Machiavellian to be so prescriptive around relationships, but without the benefit of goals and how to achieve them, companies will find it difficult to know whether invested resources have returned benefits to the company. BP has an explicit stakeholder strategy that is based on five “global leadership” themes (environment, governance, enterprise, energy, and education). BP aspires to be a “global leader” by working within its sphere of influence with governments and civil society to help solve global challenges relevant to its long-term business strategy. BP’s commitment to the climate change issue has attracted significant attention to the problem and raised the bar for other corporations to recognize and act on their environmental footprints. It also triggered innovations within BP around carbon capture and alternative low-carbon energies — thereby growing a “clean energy” business which is already profitable and in which BP plans to invest a further \$8 billion over the next 10 years.

Engagement Infrastructure: Companies may have strong

and deliberate goals but successful engagement requires smart execution through sophisticated systems and tools. Successful companies know all of the “touch points” with MLOs and NGOs, coordinate these disparate contacts, and monitor progress on objectives. Nestlé has a number of noteworthy proactive issue management tools. On the highly sensitive topic of food safety, the company operates an early warning system for screening, evaluation, and management of issues. Nestlé has created a core team of eight scientific experts connected to a larger network of about 150 contacts around the world. This network performs a surveillance role, collecting information and evidence on potential hazards and emerging issues, which get scientifically evaluated by the core scientific team. The early development of risk scenarios helps avoid costly and risky crisis management situations. This system is complemented by a more generic “issues roundtable” headed by a member of the executive board and comprised of representatives of regulatory affairs, nutrition, quality and safety, public affairs, and others, that meets monthly to review current issues and identify emerging ones.

Engagement Structure: Among the five elements for successful engagement, this is perhaps the most undeveloped. Global companies, including those benchmarked for this article, struggle to integrate philanthropic, strategic partnerships and corporate social responsibility activities. Two companies, Unilever and GSK, stand out for advanced thinking and action on a structure to manage MLO and NGO relationships.

GSK has two distinctive features of strong structure. First, the company has a CSR committee composed of the board of directors which provides a forum for reviewing external issues with potential impact on GSK’s business and reputation. Three corporate executive team members sit on the committee, which meets three times a year to review progress on corporate responsibility principles and other issues. Second, the company’s government affairs department is tasked with playing the “account champion” role for many of the MLO and NGO relationships while other relationships are led by the relevant business areas, where the day-to-day management of CSR issues and performance is done.

At Unilever, a senior vice president for global corporate responsibility and a small team coordinate a 30-person “CSR council” that includes leaders from core business processes and functions. Unilever has also adopted a highly innovative group of five independent and external advisors who meet on a semi-annual basis and help the company shape the sustainability strategy. Representatives include academics, heads of NGOs, and former government leaders.

Engagement People: One of the most recent trends in MLO and NGO engagement is to hire specialized staff with backgrounds that more directly reflect the agendas, interests, and philosophies of the MLOs and NGOs themselves. Novartis has, at any one time, three to five people who work directly on managing MLO relationships. In addition, the

Novartis Foundation for Sustainable Development has seven staff members with specialized academic and international development backgrounds. The foundation is led by Professor Klaus Leisinger, a special advisor to the UN secretary general on the Global Compact. Obviously, this position bestows increased credibility with civil society actors.

Engagement Culture: The most intangible among the five elements, a shared perspective about MLOs and NGOs makes it relatively easier for companies to maintain positive relationships with these organizations. Interviewees commented that European companies may be more open and willing to compromise on issues and see value in communication without an end result in mind. Unilever's recent research project with Oxfam on the effect on international business investment on society — focusing on Unilever's socio-economic impacts in Indonesia — exemplifies the company's 2004 report signature "listening, learning, making progress." Both organizations recognized that despite different goals and missions, they found more common ground than they expected and deeply valued the insights gained through this learning partnership.

While powerful on their own, these success elements should be considered as a total engagement platform. It should be obvious that each is dependent on another or all. For example, infrastructure should be an explicit component of strategy. And effective governance has lower value when the company's staff and skills are deficient and create obstructions, rather than solutions, with MLOs and NGOs.

Action Steps for Improved Engagement with MLOs and NGOs

Based on the lessons discussed above, how can companies put these ideas into action to improve their own approaches to MLO and NGO engagement?

A review of the five companies with strong capabilities in stakeholder management reveals that there is no silver bullet. Much of what companies have learned is through trial and error and changes have occurred less as a result of grand design than hard effort. There are ways to

accelerate the lessons, however. Three steps are suggested to help companies become more effective in their interactions with these two entities:

1. Perform a self audit: A helpful first step is to pull together colleagues who work with MLOs and NGOs on a regular basis — representatives of CSR, philanthropy, developing world markets, corporate communications, etc.— for an honest discussion about how well the company is configured along the five engagement elements mentioned above. Does the company have a stakeholder engagement strategy and is it known to all who work with MLOs and NGOs? What are all the touch points with these organizations and could they be better coordinated? What skills may need to be enhanced? A self-diagnosis of what is and what is not working is extremely helpful in converting what may be an ad hoc and informal approach into a professionalized approach for engaging stakeholders.

2. Conduct external survey with NGOs/MLOs: While it may seem awkward to ask potential adversaries what they think of the company, its policy positions, and CSR activities, gathering impressions about the company from NGOs and MLOs is an extremely valuable way to understand the root causes of challenges and opportunities to improve relationships. In addition to surveys, interviews can be conducted one-on-one with a few key organizations to learn more qualitative information.

3. Determine strategy for improved MLO/NGO engagement: As mentioned earlier, the strategy to working with stakeholders is a combination of the issues to focus on, the organizations to engage, and the approach to engagement (observation/assessment, dialogue, convening/problem solving, and proactive initiative development). Heads of CSR or stakeholder engagement need to consider which issues require a more intense level of engagement.

Engaging MLOs and NGOs is a fact of modern business today. Through planning and concerted effort, companies have the opportunity to make MLOs and NGOs key business partners.

CORPORATE CONSULTING SERVICES

Guided by FSG's co-founder and Senior Advisor Michael E. Porter of Harvard Business School, FSG Social Impact Advisors has worked with dozens of global corporations — such as GE, Microsoft, Nestle, Pfizer, Shell, and Swiss Re — to build competitive advantage and social value through innovative practices in corporate social responsibility and philanthropy.

FSG takes an individualized, company-specific approach to develop a proactive corporate social agenda for our clients. Our experienced strategy consultants will map your company's value chain to understand how your business activities impact society while factoring in the surrounding social factors that influence productivity and competitive strategy.

FSG offers the following services for corporations:

- Shared Value Strategy — integrating social and competitive strategy
- Philanthropic Initiative Design
- Identifying Business Opportunities that Meet Social Needs
- Evaluation of Corporate and Societal Impact

ABOUT FSG SOCIAL IMPACT ADVISORS

FSG Social Impact Advisors is a 501(c)3 nonprofit social enterprise that works with foundations, corporations, governments, and nonprofits to accelerate social progress by advancing the practice of philanthropy and corporate social responsibility.

FSG was founded in 1999 by Professor Michael E. Porter and Mark R. Kramer as Foundation Strategy Group, LLC, and converted to nonprofit status under its new name in 2006.

FSG achieves its mission in three ways:

- Advice — through strategy consulting services for corporations, foundations, and NGOs.
- Ideas — Publishing articles and white papers that generate new ways of thinking about social issues
- Action — Catalyzing long-term initiatives that address critical challenges and opportunities facing the field

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