

Sleeping with the Enemy? Strategic Transformations in Business–NGO Relationships Through Stakeholder Dialogue

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Abstract

Campaigning activities of non-governmental organisations (NGOs) have increased public awareness and concern regarding the alleged unethical and environmentally damaging practices of many major multinational companies. Companies have responded by developing corporate social responsibility strategies to demonstrate their commitment to both the societies within which they function and to the protection of the natural environment. This has often involved a move towards greater transparency in company practice and a desire to engage with stakeholders, often including many of the campaign organisations that have been at the forefront of the criticisms of their activity. This article examines the ways in which stakeholder dialogue has impacted upon the relationships between NGOs and businesses. In doing so, it contributes to the call for more 'stakeholder-focused' research in this field (Frooman in *Acad Manag Rev* 24(2): 191–205, 1999; Steurer in *Bus Strategy Environ* 15: 15–69 2006). By adopting a stakeholder lens, and focusing more heavily upon the impact on one particular stakeholder community (NGOs) and looking in depth at one form of engagement (stakeholder dialogue), this article examines how experiences of dialogue are strategically transforming interactions between businesses and NGOs. It shows how experiences of stakeholder dialogue have led to transformations in the drivers for engagement, transformations in the processes of engagement and transformations in the terms of engagement. Examining these areas of transformation, the article argues, reveals the interactions at play in framing and shaping the evolving relationships between business and its stakeholders.

Keywords

Corporate social responsibility; Stakeholder dialogue; Business–NGOs relationships

Introduction

Companies are coming under intense scrutiny regarding their social, ethical and environmental impacts. A core part of this increased public awareness has developed through the campaigning and alternative media activities of non-governmental organisations (NGOs) such as Greenpeace, Friends of the Earth and the Clean Clothes Campaign. Recent years have witnessed a dramatic shift in campaigning focus towards major multinationals highlighted by the growing strength of the anti-corporate movement. This has placed the question of the social and environmental responsibilities of business firmly in the public eye.

In responding to these challenges, many companies have focused upon developing corporate social responsibility (CSR) strategies. A core part of this process has been the drive towards greater transparency and a desire to engage with company stakeholders, including the development of a dialogue with many of the campaign organisations at the forefront of criticising business activity. The increased pressure to engage has resulted in a broad range of stakeholder dialogue processes with the proposed intention of increasing trust and understanding between businesses and civil society organisations (Kaptein and Van Tulder 2003; Andriof et al. 2003).

This article provides a qualitative analysis of the impact of stakeholder dialogue processes on the relationships between businesses and NGOs in the UK. The article seeks to build upon existing stakeholder theory by placing greater emphasis upon the stakeholders with whom businesses interact. Much of the previous work in the stakeholder domain has focused upon stakeholder identification (Harrison and Freeman 1999; Kaler 2002), measuring stakeholder salience and influence (den Hond and de Bakker 2007; Frooman 1999; Mitchell et al. 1997) and the development of frameworks for stakeholder dialogue (Andriof et al. 2003; Bendell 2000; Carroll 1993; Donaldson and Preston 1995). To date, little detailed research has been conducted on how the pressure to engage, and the experience of this form of engagement, has transformed the strategic relationships between the parties involved in dialogue. Where such work does exist, analysis focuses predominantly upon the more formal process of specific business–NGO partnerships and often focuses upon how such processes can be effectively managed (see e.g. Bendell 2000; Murphy and Bendell 1997; Schiller 2005; Seitanidi 2010). This article will build upon existing knowledge in this field by drawing upon research that examines NGOs as important secondary stakeholders (den Hond and de Bakker 2007; de Bakker and den Hond 2008; King 2008). It will examine experiences of dialogue and how this has shaped the approaches of NGOs and businesses in terms of how they engage in selective and strategic forms

of interaction and how this has led to the emergence of new drivers behind dialogue, new ways of working and a two-way process of managing these new relationships. By examining the experiences of both business and NGO stakeholders, the article highlights that both sides engage in strategies for managing the risks and opportunities associated with dialogue.

Analysis is based upon data from a 3-year ESRC-funded research project into the impact of stakeholder dialogue in the CSR sphere. In particular, it will utilise material from interviews, workshops and focus groups, with NGOs, companies and third-party facilitator organisations to examine the impact that dialogue has had upon the relationships between businesses and NGOs.

The Importance of Stakeholder Management and Dialogue

As CSR has become an increasingly important framework through which businesses have sought to define and account for their social and environmental impacts, many companies have begun to examine their relationships with a broader set of stakeholders extending far beyond the confines of the traditional shareholder community towards what Freeman described as 'any group or individual who can affect or is affected by the achievement of an organisation's purpose' (Freeman 1984; 52). By successfully understanding and incorporating the diverse perspectives of stakeholders, it is argued that a company can avoid the risks of damaging publicity and potentially increase its 'social capital' as it gains greater respectability and credibility (see e.g. Donaldson and Preston 1995; Waddock 2001; Blair 1998).

The increased concern with the demands of stakeholders has resulted in a growing focus upon the identification and management of stakeholder relations. However, ideas of *managing* the needs and expectations have tended to dominate this field (Jonker and Nijhof 2006; 457). Work has predominantly focused upon helping companies to prioritise and understand stakeholder demands and opinions and developing strategies for stakeholder engagement. Many companies have focused upon disseminating information regarding company practice through social and environmental reporting, although these processes represent a relatively weak form of engagement, based largely upon dissemination rather than interaction (see e.g. Owen and O'Dwyer 2008). This form of management inevitably implies a 'one-sided "monologue" initiated and controlled by the organisation' (Jonker and Nijhof 2006; 457).

In going beyond 'managing' stakeholder demands through information dissemination, some companies have sought to undertake far more

interactive forms of stakeholder engagement, reflecting a transition away from stakeholder 'management' and towards stakeholder 'relations' (See Fineman and Clark 1996; Collins and Kearins 2007). In particular, increased emphasis has been placed on the concept of stakeholder dialogue. Payne and Calton (2002) describe this transition in manager–stakeholder relations as going from 'the need for unilateral managerial cognition and control to a perceived need by some for reciprocal engagement and new dialogic forms of collective cognition' (Payne and Calton 2002; 121). Dialogue between companies and stakeholders represents an interactive process of stakeholder engagement. As Lawrence (2002) suggests, constructing and implementing successful dialogues 'encourage both companies and stakeholder organisations to engage more often in the difficult, but productive, task of listening to and learning from one another' (Lawrence 2002; 199).

Dialogue is identified as an important channel through which to transcend beyond traditional conflictual processes of communication and develop a more progressive form of engagement and understanding (see e.g. Arts 2002; Millar et al. 2004; Weick 1995).¹ This form of dialogue inevitably implies a changing relationship between a company and its stakeholders. Payne and Calton (2002), for example, argue that through stakeholder dialogue 'preconceived relationships between self and others changes as new learning occurs' (Payne and Calton 2002; 133). Drawing from this work, a key aspect of any examination of engagement processes must be a better understanding of the ways in which organisations experience strategic repositioning through the processes of dialogue and engagement. This repositioning represents the central focus of this article.

Highlighting 'the Stakeholder': the Imbalance in Stakeholder Theory

Due to its predominant focus upon business organisations, much of the previous stakeholder literature has been unable to capture these repositioning processes from both sides. So far the analysis of these relationships has remained relatively one-sided, with a significant overemphasis upon the role and impact on business.

Steurer (2006) attempts a broad mapping of stakeholder theory dividing the field into three distinct approaches: corporate, stakeholder and conceptual. He summarises these approaches as follows:

The corporate perspective focuses upon how corporations deal with stakeholders, the stakeholder perspective analyses how stakeholders try to influence corporations and the conceptual perspective explores how particular concepts such as 'the common good' or sustainable

development, relate to business-stakeholder interactions (Steurer 2006; 56).

In evaluating the contributions within stakeholder theory, Steurer argues that the stakeholder perspective is currently the least developed. He emphasises the importance of evaluating these process from a non-corporate-centric perspective, reflecting on Sutherland Rahman and Waddock's (2003) claim that:

The role of management becomes immeasurably more challenging when stakeholders are no longer seen as simply the objects of managerial action but as subjects with their own objectives and purposes (Sutherland Rahman and Waddock 2003; 12).

While highlighting the importance of developing more research from the stakeholder perspective, Steurer's work goes further by combining this initial three-dimensional approach with the second-order approach of Donaldson and Preston. Donaldson and Preston's typology distinguishes between normative, instrumental and descriptive approaches to stakeholder analysis [or in Steurer's explanation—what should happen (normative), what does happen (empirical/descriptive) and what would happen if (instrumental)? (Steurer 2006; 60)]. Steurer utilises this conceptualisation to identify the potential strengths, weaknesses and gaps within stakeholder research. To this end, he argues that stakeholder theory is currently weak in terms of 'descriptive and empirical analyses of business-stakeholder interactions' (Steurer 2006; 56). He suggests that:

A better understanding of stakeholder engagement derived from empirical analyses of what stakeholders expect from, and how they interact with, firms under certain conditions is certainly an important issue for researchers (Steurer 2006; 66).

Friedman and Miles (2002) similarly argue that stakeholder theory has been hampered by an 'almost exclusive analysis of stakeholders from the perspective of the organisation' (2002; 2). This imbalance within stakeholder theory is also identified in the work of Frooman (1999), who argues that much of the business-centric emphasis of stakeholder research stems from the business focused, 'hub and spoke' conceptualisation of stakeholder relations developed by Freeman, the consequence of which, he suggests, is that stakeholder relationships have predominantly been viewed as 'dyadic, independent of one another, viewed largely from the firm's vantage point and defined in terms of actor attributes' (Frooman 1999; 191). Frooman, as with Friedman and Miles, suggests that the narrowness of the conceptualisation of stakeholder analysis has led to a restrictive and only partial understanding of the nature of business relationships with stakeholders. To be truly effective to a firm seeking to manage its stakeholder relations, he argues that stakeholder theory must

‘provide an account of how stakeholders try to manage a firm’ (Frooman 1999; 192). Van Huijstee and Glasbergen (2010) note a similar prioritisation in research on business–NGO interactions, claiming that this literature is ‘often prescriptive in the sense that it aims to provide advice on how to manage new business-NGO relationships’ (Van Huijstee and Glasbergen 2010; 251) rather than looking more closely at the impact of these changing relationships.

This article addresses this gap within stakeholder theory by focusing upon dialogue between businesses and NGOs, giving particular attention to the experiences of NGOs within this process. By adopting a stakeholder lens, the article provides significant insight into the role that dialogue plays in shaping the strategic positioning of these groups towards interactions with business. Following Steurer’s lead, the analysis focuses more closely upon both the stakeholder and conceptual aspects of these interactions, in this case paying close attention to the attitudes of NGOs towards their relationships with business, and focusing upon the conceptual role of dialogue in shaping these interactions. Before examining these dialogue processes in detail, however, the following section examines why NGOs provide a significant focal point for stakeholder research.

NGOs as Key Secondary Stakeholders

Engagements between businesses and NGOs represent a challenging area of stakeholder dialogue. Traditionally, relations between these groups have been relatively hostile, even directly adversarial. Improving these relationships through dialogue is a key challenge for the contemporary business. Daub and Scherrer (2005) argue that ‘to systematically nurse and entertain such a relationship [between businesses and NGOs] is a necessity for a successful business in times of change and globalisation’ (Daub and Scherrer 2005; 57). A process further enhanced by the fact that NGOs often possess knowledge and technologies not within reach of the company itself. Similarly, Jonker and Nijhof claim that NGOs hold:

Complimentary competencies and resources – such as networks, knowledge and experience – that have become relevant to business in the light of the growing complexity and interdependence of emerging issues with which they are confronted like Governance, HIV, Reputation, Risk and Accountability (Jonker and Nijhof 2006; 458).

However, it is naïve to think that the business community has been the sole driving force behind developing these relationships or that the primary reason has been the recognition of ‘complimentary competencies’. While arguably the issues raised above point to an internal logic for greater

interaction, in reality, companies in most cases have not initially chosen to interact with NGOs but have found themselves with little option (See Burchell and Cook 2006). As De Bakker and Den Hond note, the influence of stakeholders over firms is more effectively understood as the 'outcome of processes of action, reaction, and interaction' (de Bakker and den Hond 2008; 8).

Why then, are NGOs now gaining an influential role as a key stakeholder, when previously they had largely been seen as one of the groups of potential stakeholders that Mitchell, Agle and Wood described as 'irksome but not dangerous, bothersome but not warranting more than passing management attention, if any at all' (Mitchell et al. 1997; 875)? In seeking to understand the impact of these new challenges upon the business community, recent work has utilised social movement theory to explain both the reasons behind these forms of collective action and the action repertoires undertaken by such groups. Traditional social movement analysis, for example Giugni (1998), highlights the potential power of social movements to influence at multiple levels. He argues that social movements:

Address their message simultaneously to two distinct targets: the powerholders and the general public. On the one hand, they press the political authorities for recognition as well as to get their demands met, at least in part. On the other hand, they seek public support to try to sensitize the population to their cause. At the same time the most common political targets of contemporary movements ... pay particular attention to public opinion and fluctuations therein (Giugni 1998; 379).

Applying social movement theory in the contemporary business context has highlighted social movements' growing ability to gain credence as a key secondary stakeholder through the successful championing of environmental and social issues into the public arena (see De Bakker and Den Hond 2008; King 2008). The application of social movement theory to the stakeholder domain has encouraged a transition away from a predominantly management/business focus and towards the different stakeholders themselves. As King surmises:

collective action among potential stakeholders facilitates the emergence of stakeholder awareness, both among the constituents of the organization and in the eyes of managers. Thus, we should conceive of collective action as an important factor underlying stakeholder influence. (King 2008; 22–23).

Applying social movement theory to stakeholder analysis supports the more broad ranging approach encouraged by Frooman and Steurer,

outlined earlier, in that it redirects our understanding of the processes of stakeholder engagement towards one in which stakeholders are not necessarily directly 'managed', where the primary focus is not necessarily the firm and where secondary stakeholders utilise a range of differing resources and strategies to gain influence and legitimacy (Burchell and Cook 2006). Similarly, it reflects Kourula and Laasonen's (2010) call for developing greater variance in the theoretical base to bring out new aspects of business–NGO relationships within research in this field.

Identifying social movement actors as significant secondary stakeholders is only one aspect of understanding the increased interaction between businesses and NGOs, however. Little analysis has actually examined the ways in which engagement has altered these traditionally antagonistic relationships (Burchell and Cook 2011). Where research does exist, the focus has largely been on a particular aspect of the emerging relationships, namely the development of formal partnerships (see Bendell 2000; Murphy and Bendell 1997; Schiller 2005; Seitanidi 2010). Senge et al. (2006) focus upon an emerging partnership between Unilever and Oxfam in Indonesia, highlighting the way in which the emerging partnership opens broader awareness among partner organisations. Similarly, a change in expectations and understanding is uncovered within Jonker and Nijhof's (2006) work. Van Huijstee and Glasbergen (2010) examine business–NGO interactions from a multistakeholder perspective, looking at how company relations with other stakeholders impact upon the business–NGO relationship. Again, however, they highlight a familiar gap in research in this area, arguing that much of the work on partnerships focuses upon presenting specific recommendations for managers, suggesting an overemphasis in research on the ability of companies to proactively manage these relationships. This point is reinforced within Kourula and Laasonen's (2010; 57) analysis of research into business–NGO relationships.

While partnership represents a significant formal process of interaction, it is only one aspect of engagement and dialogue. There are many stages of interaction prior to and/or, in place of, this level of engagement and many groups for whom formal partnership would reflect a major ideological challenge. Ahlstrom and Sjoström (2005), for example, note that only a few types of NGOs are suitable for collaboration. Similarly, Nijhof et al. (2008; 155) suggest that business–NGO partnership is not necessarily the best strategy for CSR development in all cases. They reflect that differences in access, intentions and opportunities to influence make a difference in the way that NGOs act and hence their interest or suitability to formal partnership (see also Belou et al. 2003). Again, however, the primary emphasis is upon the challenge of engagement from a largely business-centric perspective and the strategic choices that partnership creates. Less

attention is paid to how these engagements shape the position or strategic choices open to the NGOs themselves.

Invitations to engage with business have been received with mixed reactions from civil society actors. As with other examples of social movement activism, the opportunity to engage with the focal point of protest—often the political system but in this case businesses—raises a significant challenge for the organisations themselves. Social movements' strength has rested upon developing effective and often unconventional strategies for challenging and critiquing established institutions, structures, etc., and raising new issues onto the social and political agendas (see e.g. Melucci 1989; Della Porta and Diani 1998). Opportunities for engagement bring with them concerns over possible containment through cooption, a de-radicalisation of the movements and a diluting of issues to accommodate them within the established political order (Burchell and Cook 2008, 2011; Murphree et al. 1996). Activists are often faced with balancing the opportunity to create incremental change against sacrificing a level of independence. Since it carries significant consequences for NGOs, the move towards some form of engagement strategy is not purely a decision that is in the hands of business. NGOs will also seek to strategically manage this process to define the terms and conditions of engagement. This is clearly reflected in Valor and Merino de Diego's (2009) analysis of business–NGO relationships in Spain in which they reflect upon the way in which fear of co-optation can lead to stronger voices of conflict in the public arena.

This article seeks to examine these pressures and challenges more closely to demonstrate how corporate-focused approaches to stakeholder dialogue can often neglect key relational pressures that have a significant impact upon the engagement strategies undertaken by both businesses and NGOs. In particular, it focuses on relationship transformations in a number of areas: first, transformations in the drivers for business–NGO engagement; second, in the forms that such engagement takes; and third, in the terms of engagement. Examining business–NGO interactions in this light reveals the extent to which the shaping and framing of stakeholder engagement is a process of interaction and repositioning.

Stakeholder Dialogue and the CRADLE Research Project

The empirical data utilised in this article stem from a 3-year Economic and Social Research Council (ESRC) project examining the impact of CSR dialogue processes on relationships between business and NGOs in the UK. The CRADLE (Corporate Responsibility: Action through Dialogue, Learning and Exchange) project was a multimethod study that worked in partnership with organisations involved in dialogue to examine the

motivations, experiences and impact of dialogue. Unlike previous studies of dialogue, the focus was not on a single business, NGO or process of dialogue; instead, participants were asked to reflect on their experiences across multiple dialogues. The objective was to capture the range and scope of stakeholder and business experiences. Therefore, the focal points were the processes of dialogue themselves and the experiences of a broad range of actors involved from across the business and NGO communities. As a consequence, the research involved groups who were active in a broad range of different types of engagement activity, ranging from one-to-one engagements between businesses and NGOs to broader stakeholder engagement panels and industry-wide stakeholder dialogue initiatives in which NGOs often engaged in the process as a group. Utilising this broad framework, the research tracked specific ongoing dialogue processes. In addition, however, the research also hosted focus groups, bringing participants together to discuss their experiences of dialogue as a process. This was important as it allowed participants to reflect on the nature of the dialogue process itself, rather than specific challenges within any one dialogue process. These methods were selected to enable the research to uncover the drivers behind dialogue, factors shaping the decision to engage and the consequential transformations in business–NGO relations.

The location of the study was at the national level, with a strong emphasis on fieldwork in London due to the HQ location of the majority of businesses and NGOs. Some of the fieldwork also took place in the English regions again based upon the location of head offices and specific dialogue initiatives. All the businesses in the study were large-scale national or multinational corporations. The NGOs were all national or internationally based campaigning organisations active in a combination of protest, lobbying and advocacy activities. The study undertook three phases of fieldwork: phase one included a national survey of dialogue partners, the retrospective study of large-scale dialogues and analysis of company CSR reports. This laid the ground for the qualitative fieldwork which formed phases two and three. Phase two examined experiences of dialogue and utilised focus groups (N = 4) and in-depth interviews (N = 63) with companies, NGOs and groups designed to facilitate dialogue including CSR consultancies and civil society agencies.² Focus groups were selected as one of the main research instruments due to their capacity to allow the space for differences of opinion as well as facilitating collective understandings of experiences and approaches to dialogue (Morgan 1993). Interviews allowed for the exploration of issues raised in the focus groups, providing an opportunity for participants to discuss the details and their organisation's strategies (Mason 2002). Phase three examined dialogue in practice through two company-based studies where dialogue on CSR was being developed. While the discussion within this article reflects on the whole range of research findings generated by this study, the data cited

here primarily come from the one-to-one interviews and focus groups. Fundamental principles of informed consent underpinned the fieldwork, and all participants completed signed consent forms. Focus groups and interviews were recorded and transcribed verbatim, and they were then analysed using framework analysis and thematic coding techniques (Ritchie and Spencer 2003; Mason 2002). A thematic framework was developed based upon an open and systematic analysis of the raw data into core themes of comparable analysis, ensuring that emerging issues were accurately reflected and accommodated within the analytical framework.

The remaining sections explore key themes emerging from this research. While it should be noted that the research engaged with a broad range of NGOs and businesses, with markedly different styles, strategies and approaches to engagement, the discussion presented below reflects on areas of shared perspective emerging from both the interviews and the workshops. While we would in no way wish the findings to imply that NGOs or businesses can be seen as homogeneous groups, the discussion does highlight key issues and themes which all groups have had to confront as a consequence of engaging in dialogue, and which have impacted upon NGO–business relationships. The consequences and strategic shift within particular organisations inevitably will vary, but the purpose of this discussion is to try and contextualise the key issues and themes emerging from dialogue that have transformed the nature of business–NGO relationships. Inevitably therefore, some level of extraction and generalisation is necessary in the discussion. With this in mind, the article will focus upon three key areas of transformation. First, the transformations in the drivers for business–NGO engagement are examined; second, it explores the transformations that take place in the style of engagement; and third, it analyses the ways in which the terms of engagement are set by both business and NGO agendas. Finally, the article concludes by conceptualising these transformations in business–NGO relationships.

Transformations in the Drivers for Engagement

Transformations in business–NGO relationships have been brought about by the emergence of new drivers for engagement, which have led both businesses and NGOs to often seek ways to move away from traditionally adversarial relationships and towards new forms of cooperation (Schiller 2005). These drivers include risk to the brand, the transition towards solution-oriented perspectives and the maintenance of the licence to operate. While discussions highlighted the broad range of drivers behind engagement, study participants identified particular pressures that they felt played a significant role in reshaping recent business–NGO dialogue. For businesses, emphasis was placed upon the importance of risk

management and the external pressures exerted upon their brands and their licence to operate reflecting many of the themes evident in the literature (see Holtbrugge and Berg 2004; LaFrance and Lehmann 2005). Under these conditions, there was a clear emphasis on at least being seen to engage and listen to the voices representing civil society. While previous discussions often highlight the internally motivated 'business case' logics for companies seeking closer engagement with stakeholders (Kaptein and Van Tulder 2003), one of the key themes to emerge from this research was the central role played by NGO-campaigning in pushing companies towards strategies of engagement. As one company representative candidly observed:

I don't really think we'd do this if we weren't campaigned against. I would hope that we would ... but it was a campaign against the brand and against the trust of the brand, and that was how it was initiated (Business Focus Group).

This, and similar responses from other company representatives within the study, supports the social movement approach to business–NGO engagement in emphasising the important power that NGOs can gain through their role as 'social watchdogs', gaining influence as key secondary stakeholders through their ability to influence public opinion (den Hond and de Bakker 2007; King 2008). As will be discussed later, NGOs were concerned that if a key driver for business engagement lay with alleviating campaign threats, to what extent would businesses enter dialogue purely to negate such threats rather than to actually interact and understand their stakeholders. As a consequence, as the following quote demonstrates, NGO participants were often quite sceptical of the motivations behind engagement.

...one of the main reasons why companies want to go into dialogue is because of what you were saying, because of fear, because of this risk management, because they fear having actions taken against them—that the public won't give them their license to operate, that the governments might actually regulate against them (Environmental NGO Interview).

These experiences raise questions around the capacity of drivers focused upon risk and licence to operate to generate 'genuine' forms of engagement, as opposed to more superficial risk off-setting exercises.

Although the reputational benefits to business and brand are fairly transparent, NGO motivations for engagement are arguably less apparent. While much of the existing literature focuses upon a fairly rigid dichotomy between NGOs who adopt strategies of either conflict or cooperation,

evidence from this study suggests a far more nuanced strategic approach. NGOs talked about a range of pressures encouraging them to undertake engagement strategies. Interestingly, the concerns around reputation management and brand, highlighted by the business participants, were also identified by the NGOs as key drivers. In particular, these aspects related to NGO concern to maintain their connection with their own stakeholder communities and to demonstrate that public support for their campaigns could bring about change. At the heart of this, for many groups, was the importance of being perceived as offering solutions rather than simply criticising business activity. As one NGO summarised, the business community has put out a challenge to NGOs 'as if to say, well you are constantly campaigning against us, why don't you actually help us find a solution' (NGO Focus Group). Having gained social legitimacy through active campaigning for change in business practice, it was felt that taking the next step and seeking to influence policy was becoming central to their own continued legitimacy. One campaigner summarised their experiences as follows:

I thought well what have I been campaigning for all these years, I've been banging on the doors of the nuclear industry, nobody wanted to know and here they are open door saying come in, what if I don't do that,... it makes a nonsense of the whole groups work over all that time (Environmental NGO Interview).

NGO participants reflected on the challenge that engagement placed upon their organisations. In many cases, participation in dialogue with large multinationals often resulted in 'increased brand presence', which again strengthened the organisations' roles as societal 'watchdogs'. This would suggest a challenging dilemma for many civil society organisations in which they juggle the potential for increased recognition as a constructive voice of change, with a continuing commitment to reflect the concerns and demands of their own stakeholders whose support for direct action activities provided the basis for gaining influence in the first place. Brand and reputational pressures therefore played a central role as a key driver to engagement from both business and NGO perspectives, almost driving a transition in relationships from confrontation towards engagement and cooperation.

Transformations in the Processes of Engagement

When discussing the motivations and benefits of increased interaction, businesses and NGOs spoke of transformations in the way they approached and understood each others' perspectives. This was most evident in the success of dialogue in transforming previously adversarial relations into

more open forms of engagement—albeit with varying degrees of success in terms of outcomes. Reflecting previous analysis of stakeholder engagements (Schiller 2005; Senge 1990; Weick 1995; Waddock 2001), participants talked of how dialogue had led to a breaking down of assumptions, a process of ‘demystification’, alongside the development of new knowledge and joint solutions. From all sides, there was a suggestion that dialogue had played an influential role in creating a greater understanding of the different perspectives and values which groups brought into any form of interaction. This process often resulted in participants developing more complex understandings of each other and their organisations and the pressures they operated within. Dialogue thus enabled groups to move beyond preconceived stereotypes, which often had created an impasse between organisations, and enabled relationships to move beyond conflict and towards looking for joint solutions. As one business respondent noted:

Without dialogue you’ve not got a chance of understanding what the NGOs want. And what you might think they want could be completely different and certainly from our experience, it wasn’t until we really started having regular dialogues with NGOs five years ago that we actually found that a lot of our agendas were very, very similar to theirs (Business Focus Group).

Likewise, NGOs discussed how through dialogue they had learnt more about the constraints under which businesses operate, which enabled them to gain valuable insight into how best to influence company practice.

I think it is easy to stand on the outside and assume that businesses are with the devil where actually if you go and talk to them and understand them the people that work there are just normal people ... I think there is a defogging or demystification of business generally (Dialogue Facilitator Interview).

In this respect, dialogue holds the potential to demystify the perspectives of stakeholders and business (Payne and Calton 2002) and create the foundations for developing joint solutions, an opportunity for ‘Looking through the Eyes of Others’ as suggested by Jonker and Nijhof (2006).

Many of the businesses that participated in the research saw dialogue as facilitating ‘joint learning’, which was then used to inform corporate decision-making processes. Business perspectives on the value of engagement reflected many of the traditional ‘business case’ arguments for a stakeholder management approach. Dialogue offered insight into the broader stakeholder community without which businesses would fail to understand why certain solutions and processes are received negatively,

even when they appear to be the most effective solution to a problem. For example, one business participant emphasised why his company involved a broad range of staff in dialogue:

Going out and talking to some of the stakeholders they have found out that the problem isn't what it was, the solution wouldn't be what we thought it was, and then in any case even if we did go away and do our research and put in a solution no one would trust us anyway ... they get a [...] picture of what the problem actually was in the first place. (Business Focus Group).

Another respondent discussed how dialogue can help identify unforeseen risks:

Rather than just having a single track of decision making you end up seeing a much wider range of impact, uncertainty and expectations that people outside of the immediate supply chain have of you as an organisation and your decisions and you start to understand the impact you have but also you start to understand some of the other risks that are out there (Business Participant, Workshop Focus Group on Trust).

However, engagement in stakeholder dialogue was not identified as a simplistic process that is easily managed. While businesses and many NGOs identified benefits from dialogue, they also stressed how this had come about through significant shifts in organisational cultures, occasionally involving uncomfortable levels of organisational risk. In the case of NGOs, this could leave the organisation vulnerable to criticism and take up scarce resources with no tangible outcome. Participants identified the kinds of changes in approach and organisational culture that had enabled successful dialogue. The ability to build each other's perspectives into negotiation strategies was seen as essential. However, this involved compromise as it was recognised as unlikely that dialogue would result in either party getting all of their interests met. Both NGO and business participants spoke of having to adjust their objectives in order to achieve an effective outcome.

We wanted to change the way we did business... in the past the industry was very good at a 'decide, announce, defend' type of approach. We spent an awful lot of time defending and if you change that around you take people with you on decisions (Energy Company Interview).

While both businesses and NGOs talked of a 'cultural shift', it was more strongly emphasised in the NGO interviews. Many NGO participants explained how engaging in dialogue had posed challenges for their organisations, exposing them to the risks involved in investing in processes with no certain outcomes. Participants spoke of working outside of their

comfort zone of campaign and protest and towards a new system of dialogue and negotiation to develop joint solutions with business. Dialogue involved adopting a completely different approach to working, one that is more complex, time-consuming and risky than direct action campaigning. NGOs described the challenges of engaging in what Lawrence (2002) terms the challenging task of listening and learning from each other.

When there are crises and there are problems it is much easier to polarise ...than it is to say 'Ok let's work on a solution'. I think that is something that is much harder to do and requires effort, ongoing effort from both sides by a common language and a common rapport. ... and it is more resource intensive. It also leaves us open to criticism (Environmental NGO, Interview).

Clearly, the emerging business–NGO relationships pose challenges to participating organisations. Adopting a stakeholder lens highlights the manner in which both businesses and NGOs engage in a process of 'managing' the risks and opportunities of dialogue (Frooman 1999; Freidman and Miles 2002; Steurer 2006). The experiences outlined by the organisations in this study demonstrate that engagement and dialogue is not always a simplistic process to manage and that as both Nijhof et al. (2008) and Van Huijstee and Glasbergen's (2010) analyses demonstrate, constructive, collaborative business–NGO engagement is not always the most suitable option. Consequently, if both parties are not prepared to undertake the changes in organisational practice that dialogue requires, then the process is unlikely to succeed. Again, the analysis in this section illustrates the importance that participants placed upon dialogue being backed up by a series of organisational adaptations and new processes of decision-making, rather than more superficial attempts to manage risk.

Transforming the Terms of Engagement

NGO participants identified a number of strategic changes adopted by their organisations as a consequence of engaging in direct dialogic relations with business. In particular, they discussed giving greater consideration to the terms under which they engaged. First, these strategic approaches were driven by core resource pressures, namely the need to use their resources for maximum impact. As one NGO explained, 'part of that debate is going to be about the proportion of work that is oppositional and the proportion of work that is coalitional or dialogue' (Human Rights NGO Interview). In this context, NGOs need to feel that dialogue will result in tangible change. Second, NGOs also face a series of decisions around the implications of developing closer relationships with business, in particular assessing the relative risks of cooptation and containment compared to the potential for shaping change.

One of the key challenges highlighted during the research was the inequality of resources that exist between large corporations and civil society–based organisations. While large companies were able to invest significant resources into dialogue, many NGOs relied on one- or two-person teams. One participant recounted how

...when you get into these dialogues of course, what you get is an army of corporate lawyers come through the door with you know 58 other senior executives and you have two people sat on your side of the desk and it is that sort of imbalance and that's where on occasions you get this suspicion that ... 'we can string this out for as long as you want because we have got people here who can come in, whilst we get on with our business' (NGO Focus Group).

Adding to this resource imbalance, both NGO and facilitator organisations spoke of their concerns about asymmetrical learning with some feeling like they had been 'mined for information' with no guaranteed change in business practice. One facilitator noted:

there is this whole stakeholder fatigue thing. Everyone is being asked all the time to go and get involved in these processes, they don't see the results, they don't see it leading anywhere, they are not really getting any learning out of it (Dialogue Facilitator Interview).

Inevitably, these types of negative experiences have led to a reassessment of the value of dialogic relationships with businesses. Dialogue therefore often placed business in an advantageous position regarding resources and power. NGOs also spoke of experiences in which extensive dialogue resulted in no change in business practice, and a feeling of wasted resources. One NGO had spent 2 years working with a major retailer to source its timber products sustainably, only for the company to return to importing illegally harvested timber 12 months after the dialogue had finished.

The risks of containment were also widely discussed; NGOs gave experiences of some businesses using dialogue to quell criticism, failing to implement any substantive changes, thus co-opting NGOs through appropriation (Murphree et al. 1996). In this way, companies have been able to benefit from the legitimacy of working with NGOs while continuing to conduct business as usual. This notion of dialogue as containment and appropriation was also reflected in a tendency for businesses to expect concessions from NGOs once in dialogue. In this way, companies were seen to be utilising this new relationship as a way of silencing protest. The call for NGOs to cease campaigning while in dialogue is often dressed up as an issue of trust. As one NGO participant noted:

I have certainly encountered one situation where because the dialogue is then opened up as a result of campaigning work, the company has assumed that then we will drop the campaign or we will stop what they perceive as negative... I can see in a way why they think that but it is unreasonable because if they haven't addressed the issue then a very sceptical view could be that as long as we engage in dialogue we are not actually necessarily achieving any change but they don't have negative publicity (Environmental NGO interview).

This study found numerous examples cited where businesses had been perceived as using dialogue as an extension of traditional stakeholder management (Jonker and Nijhof 2006). It should be noted, however, that some companies also expressed concern at the failure of dialogue to achieve tangible changes and the damage this does to developing relations of trust. Both sides recognised that the development of practical solutions and corporate policy change was vital in maintaining NGO commitment.

It is very important that you honour those interactions with action and until we have the kind of internal mechanisms to deliver that action, I think there is a huge issue of raising everybody's expectations far too quickly (Business focus group).

Negative experiences of dialogue have undoubtedly played a strong role in driving NGOs to engage more strategically with business; developing clear terms of engagement; and utilising the threat of withdrawal and negative campaigning to strengthen their hand in dialogue. This pattern reflects the dual strategic approaches highlighted by Valor and Merino de Diego (2009), in which the threat of co-optation through dialogue can lead to more vociferous direct action campaigning. In some cases, NGOs decided that they could not justify the use of time and resources for no return and as a consequence no longer engaged in dialogues with businesses. Others have chosen to more strategically deploy their dialogue resources in terms of requiring evidence from businesses of a 'genuine' commitment to change before engaging in dialogue processes—a more strategic form of 'selective engagement'. In this regard, some NGO participants spoke of how they had 'wised up' and are more selective about who they are willing to work with. In particular, they spoke of not working with companies who do not see CSR as impacting on 'the main business'. NGOs are starting to develop clear terms for engagement, including seeking ways to get to the heart of business motivations for dialogue. The relative gains are weighed up against the very real threats to NGO reputation in terms of how their engagement would be perceived if the dialogue fails or if the company is revealed to be continuing to operate unethically. One NGO representative described the process as follows:

...if they have the aspiration to change... then potentially we can create a relationship with them ... They must cross a certain threshold of performance before we can take them on that is in respect to our mission and it is also in respect to our brand and the fact that we don't want to be devalued by inappropriate relationships. So we go through a very thorough due diligence exercise (Environmental NGO Interview).

NGO participants also spoke of having to be very clear about what was expected from any relationship with a business.

Further evidence of NGOs adopting more strategic approaches is highlighted by their utilisation of dialogue in combination with other strategies. Dialogue is not treated as a singular strategy, but is used alongside campaigning and the threat of withdrawal to exert pressure. For example, where companies expected dialogue to lead to the cessation of campaigning, NGOs saw this as handing over too much control and were aware that the campaigning channel was a key aspect of their action repertoire (den Hond and de Bakker 2007). While new relationships might change the manner in which NGOs approached companies, they were clear that this did not preclude the right to direct action:

we reserve the right no matter what is happening in the negotiations or the discussions that we are having, that if we find out something then we will actually plaster that across the newspapers etc., ... I think it is crucial that they do understand and are reminded of that fact constantly... (NGO Focus Group).

This is clearly illustrative of the way in which NGOs are increasingly deploying new strategies to manage their relationships with business rather than passively accepting all offers of engagement under any terms.

Strategic Relations of Engagement

As the above discussion demonstrates, business–NGO dialogue reflects a complex process of interaction. Consequently, simply accepting that dialogue equals containment risks severely misunderstanding the nature of many of these relationships; if one assumes this, one effectively subsumes the NGOs into the role of 'passive' agents accepting of relationships at any price and adopts an approach more reflective of the traditional corporate-centric view of stakeholder theory (as discussed earlier). Approached from this perspective, stakeholder theory currently has little ability to analyse that stakeholders themselves develop strategies for how, and on what terms, they will engage with business. Further, it is unable to understand the role played by those organisations who choose not to engage in

dialogue but to maintain critical pressure from outside (see Unerman and O'Dwyer 2006). These research data point to a much more complex set of relationships emerging through dialogue; relationships in which NGOs are far more 'proactive' in 'managing' the risks and opportunities offered and take a strategic approach to deciding when to engage and when to confront.

While NGOs are facing increasing pressure to engage, experiences of poor relationships have been influential in reshaping approaches to dialogue. As outlined above, experiences of engagement have created greater awareness among the NGO community not to be sidetracked into accepting all offers. In this respect, NGOs are confronted with a key dilemma:

...does the mere fact that your engaging in any kind of dialogue actually play into the company's hands. From the point of view that once they are in dialogue they have even less incentive to do anything (Human Rights NGO Interview).

In addition to NGOs using strategies of selective engagement and multiple tactics, the ability to apply pressure from an external standpoint is another vital component, not just in relation to each individual organisations' action repertoire but also with regard to how the NGOs interacted with one another. This again reflects a key finding within Valor and Merino de Diego's (2009) analysis in which they argue that there is an important dynamic between conflict and cooperation strategies, both within individual NGOs and across groups of NGOs. Reflecting this theme, participants in the CRADLE study spoke of how it was important that not all NGOs chose to engage in dialogue. On the one hand, it was suggested that campaigning helped to restrict the possibility of engagement leading to the containment of protest. At the same time, for those groups who were engaging in dialogue, the perceived threat of action from other NGOs outside of the process helped them to keep negotiations moving forward, as this business quote highlights:

...it is actually better that Greenpeace, Friends of the Earth and all that don't get involved in these engagement processes. Their role is to sort of push the issues up the agenda so that the problem holders will want to talk about them and if everyone is talking to everyone then a lot of people who are being talked to aren't getting any pressure to actually change at all (Business Participant, Workshop Focus Group on Trust).

This pattern appears to reflect that analysed within the American Civil Rights movement by Haines (1984). There, he identified a 'positive radical flank effect', in which 'the radicals can provide a militant foil against which moderate strategies and demands are redefined and normalised—in other

words treated as “reasonable” (Haines 1984; 32). Analysis of NGO activities towards the business community suggests a similar division between those groups who choose to engage and those who choose to remain outside (see Burchell and Cook 2011).

Towards a Conceptualisation of Transformations in Stakeholder Relationships

This article has examined how experiences of stakeholder dialogue have impacted upon the strategic approaches of businesses and NGOs to engagement and the manner in which groups perceive the opportunities and constraints inherent within these engagement processes. In doing so, it has adopted an analytical lens developed by Frooman, Freedman and Miles and Steurer, which encourages greater focus upon the stakeholders themselves rather than traditional corporate-centric approaches to stakeholder identification, management and engagement. In particular, the article has revealed the important ways in which stakeholders themselves manage and shape their relationships with business, rather than placing the primary focus upon how businesses manage their stakeholders. By focusing more heavily upon the impact on one particular stakeholder community (NGOs) and looking in depth at one form of engagement (stakeholder dialogue), this article has highlighted the ways in which experiences, and perceptions, of dialogue are strategically transforming interactions between businesses and NGOs.

Dialogue can be seen as transforming the ways in which businesses and NGOs seek to interact, even if the degree to which this changes core decision-making remains uneven. In this respect, this study supports the claim that NGOs are becoming increasingly significant secondary stakeholders (Daub and Scherrer 2005; Jonker and Nijhof 2006) and are developing more complex strategies towards engagement (Valor and Merino de Diego 2009). Further, the direct focus upon the experiences of NGOs as stakeholders has provided key insights that inform a new framework for examining the impact of dialogue on strategies for business–stakeholder engagement. Ultimately, an effective picture of this process can only be developed when one acknowledges that the stakeholder experiences and objectives will reshape strategies of engagement equally as much as business ones. In this respect, the article attempts to redress the imbalance noted by Van Huijstee and Glasbergen (2010) and Kourula and Laasonen (2010) towards a predominant research focus upon how businesses can manage engagement. As this article has demonstrated, experiences of engagement have led NGOs to develop far more complex strategic patterns for how to manage dialogue with business.

The analysis examined how the experiences of dialogue have transformed the ways in which NGOs approach corporate engagement. To this end, the research highlighted three key areas of transformation which have impacted upon these relationships: transformations in the drivers for engagement, transformations in the processes of engagement and transformations in the terms of engagement. Table 1 below provides a brief summary of the key emerging themes that were highlighted within the three areas of transformation.

Table 1

A summary of key emerging themes across three areas of transformation

Types of transformation	Key themes
Transformations in the drivers for engagement	<p data-bbox="738 757 1596 842">Shifting relations between businesses and their critics. Move towards constructive solutions approach</p> <p data-bbox="738 887 1596 972">Emphasis on protecting the brand for both companies and their stakeholders</p> <p data-bbox="738 1016 1596 1052">Maintaining the ‘licence to operate’</p>
Transformations in the processes of engagement	<p data-bbox="738 1093 1596 1128">Transition towards relations of joint learning</p> <p data-bbox="738 1173 1596 1209">Developing a more complex understanding of the ‘other’</p> <p data-bbox="738 1254 1596 1290">Demystifying the ‘enemy’</p> <p data-bbox="738 1335 1596 1420">Cultural adaptations in organisations’ approaches to engagement</p> <p data-bbox="738 1464 1596 1500">Negotiation replacing antagonism</p>
Transformations in the terms of engagement	<p data-bbox="738 1541 1596 1576">Examining the terms upon which groups engage</p> <p data-bbox="738 1621 1596 1657">Emphasising the importance of ‘tangible’ change</p> <p data-bbox="738 1702 1596 1738">Evaluating risks versus gains</p> <p data-bbox="738 1783 1596 1868">Assessing what is ‘given up’ to engage in dialogue and identifying boundaries to what is ‘acceptable’</p> <p data-bbox="738 1912 1596 1948">Questioning the use of scant resources.</p> <p data-bbox="738 1993 1596 2029">Assessing imbalance of resources between parties</p>

Examining these transformations and their impact provide a useful framework for understanding the more complex patterns of relationship change emerging through processes of stakeholder engagement. Of particular significance is that examining these areas of transformation reveals the interactions at play in framing and shaping the evolving relationships between business and its stakeholders. Within this context, identifying dialogue as a stakeholder management tool for containment of protest becomes too simplistic. While the threat of co-optation through appropriation is evident, NGOs have quite clearly maintained an important strategic balance between cooperation and confrontation, not only within individual organisations but across the NGO community.

Importantly, adopting a stakeholder lens has also highlighted the strategic impact of those groups who choose not to engage in direct forms of dialogue and remain critically outside of these processes. Both businesses and NGOs cited examples of where more critical forms of protest, external to the dialogue, had brought about transformations in business practice and influenced relationships between dialogue participants. While traditional corporate-centric approaches would largely discount the role of more radical NGOs as falling outside of the stakeholder domain, this research has highlighted how their value rests with the influence they provide to other stakeholders rather than the direct impact they have upon the company.

The external role of NGOs is clearly important for the way in which we approach analysis of business–stakeholder relationships. While individual case studies of particular business–NGO relationships may provide interesting detail regarding that particular engagement, one should always place that engagement process in a broader context of wider ongoing NGO activity. While one group may be seen to be following a relatively cooperative strategy towards its relationship with business, this may well be framed within a context of ongoing confrontational external activities that may play a strong role in pushing companies towards engagement which they may otherwise have avoided. A greater examination of a potential radical flank effect on shaping stakeholder engagement and dialogue would be an interesting development in this regard. Van Huijstee and Glasbergen's (2010) analytical model for business–NGO interactions may provide a useful starting point in this respect. While their model focuses upon the additional stakeholders surrounding the business and their influence on the character of business–NGO interactions, our analysis suggests that a similar set of stakeholder influences will shape NGO strategies towards business interaction. Such an approach would continue to develop a more systematic picture of stakeholder engagement in which we no longer position the business as the central focal point of

interaction, but as part of a broader network of engagement and negotiation.

Seen from this more inclusive vantage point, the processes of transformation examined in this article reveal that both businesses and stakeholders seek to actively manage their engagement processes in order to best achieve their organisational objectives, thus reflecting Frooman's call for greater examination of 'how stakeholders manage a firm' (Frooman 1999; 192). For the NGO community, this involves balancing the primary tactics that have led to them becoming identified as key secondary stakeholders, that is, campaign, protest, exposure, with the more 'institutional' channels provided through stakeholder dialogue. Engagement has therefore challenged NGOs to scrutinise more carefully how they can deploy resources in a strategic way to gain the greatest impact.

This article has shown that stakeholder engagement cannot be viewed solely in terms of the positive value to the company, but also in terms of the impact upon the stakeholders themselves. As dialogue processes evolve so too do, the strategies employed by stakeholders to ensure their concerns are met. A growing process of 'dialogue fatigue' is evident as NGOs find themselves inundated with requests to engage in processes that, in many cases, prove to be little more than a talking shop. NGOs are quickly becoming more selective regarding dialogue and its conditions. Without a clearer understanding of exactly what dialogue entails and a recognition that discussion without action does not equate to successful stakeholder engagement, companies may find that although they will be able to identify their stakeholders, they will find it far harder to get them to engage in any form of interaction. Without doubt, they will certainly find it harder to manage them.

Footnotes

1

Waddock (2001) argues for a similar conception in her work on stakeholder dialogue, claiming that firms are increasingly moving towards engagement strategies focused upon processes of mutual responsibility, information-sharing, open and respectful dialogue and an ongoing commitment to problem-solving.

2

Focus groups included the following: One each was run with businesses and NGOs, and then a workshop was organised that brought together all parties in two parallel focus group discussions, one on trust and the other on outcomes and impacts from dialogue.

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Article contents

- [Article](#)
- [Abstract](#)
- [Introduction](#)
- [The Importance of Stakeholder Management and Dialogue](#)
- [Highlighting ‘the Stakeholder’: the Imbalance in Stakeholder Theory](#)
- [NGOs as Key Secondary Stakeholders](#)
- [Stakeholder Dialogue and the CRADLE Research Project](#)
- [Transformations in the Drivers for Engagement](#)

- Transformations in the Processes of Engagement
- Transforming the Terms of Engagement
- Strategic Relations of Engagement
- Towards a Conceptualisation of Transformations in Stakeholder Relationships
- References
- Copyright information
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Sleeping with the Enemy? Strategic Transformations in Business–NGO Relationships Through Stakeholder Dialogue

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Abstract

Campaigning activities of non-governmental organisations (NGOs) have increased public awareness and concern regarding the alleged unethical and environmentally damaging practices of many major multinational companies. Companies have responded by developing corporate social responsibility strategies to demonstrate their commitment to both the societies within which they function and to the protection of the natural environment. This has often involved a move towards greater transparency in company practice and a desire to engage with stakeholders, often including many of the campaign organisations that have been at the forefront of the criticisms of their activity. This article examines the ways in which stakeholder dialogue has impacted upon the relationships between NGOs and businesses. In doing so, it contributes to the call for more 'stakeholder-focused' research in this field (Frooman in *Acad Manag Rev* 24(2): 191–205, 1999; Steurer in *Bus Strategy Environ* 15: 15–69 2006). By adopting a stakeholder lens, and focusing more heavily upon the impact on one particular stakeholder community (NGOs) and looking in depth at one form of engagement (stakeholder dialogue), this article examines how experiences of dialogue are strategically transforming interactions between businesses and NGOs. It shows how experiences of stakeholder dialogue have led to transformations in the drivers for engagement, transformations in the processes of engagement and transformations in the terms of engagement. Examining these areas of transformation, the article argues, reveals the interactions at play in framing and shaping the evolving relationships between business and its stakeholders.

Keywords

Introduction

Companies are coming under intense scrutiny regarding their social, ethical and environmental impacts. A core part of this increased public awareness has developed through the campaigning and alternative media activities of non-governmental organisations (NGOs) such as Greenpeace, Friends of the Earth and the Clean Clothes Campaign. Recent years have witnessed a dramatic shift in campaigning focus towards major multinationals highlighted by the growing strength of the anti-corporate movement. This has placed the question of the social and environmental responsibilities of business firmly in the public eye.

In responding to these challenges, many companies have focused upon developing corporate social responsibility (CSR) strategies. A core part of this process has been the drive towards greater transparency and a desire to engage with company stakeholders, including the development of a dialogue with many of the campaign organisations at the forefront of criticising business activity. The increased pressure to engage has resulted in a broad range of stakeholder dialogue processes with the proposed intention of increasing trust and understanding between businesses and civil society organisations (Kaptein and Van Tulder 2003; Andriof et al. 2003).

This article provides a qualitative analysis of the impact of stakeholder dialogue processes on the relationships between businesses and NGOs in the UK. The article seeks to build upon existing stakeholder theory by placing greater emphasis upon the stakeholders with whom businesses interact. Much of the previous work in the stakeholder domain has focused upon stakeholder identification (Harrison and Freeman 1999; Kaler 2002), measuring stakeholder salience and influence (den Hond and de Bakker 2007; Frooman 1999; Mitchell et al. 1997) and the development of frameworks for stakeholder dialogue (Andriof et al. 2003; Bendell 2000; Carroll 1993; Donaldson and Preston 1995). To date, little detailed research has been conducted on how the pressure to engage, and the experience of this form of engagement, has transformed the strategic relationships between the parties involved in dialogue. Where such work does exist, analysis focuses predominantly upon the more formal process of specific business–NGO partnerships and often focuses upon how such processes can be effectively managed (see e.g. Bendell 2000; Murphy and Bendell 1997; Schiller 2005; Seitanidi 2010). This article will build upon existing knowledge in this field by drawing upon research that examines NGOs as important secondary stakeholders (den Hond and de

Bakker 2007; de Bakker and den Hond 2008; King 2008). It will examine experiences of dialogue and how this has shaped the approaches of NGOs and businesses in terms of how they engage in selective and strategic forms of interaction and how this has led to the emergence of new drivers behind dialogue, new ways of working and a two-way process of managing these new relationships. By examining the experiences of both business and NGO stakeholders, the article highlights that both sides engage in strategies for managing the risks and opportunities associated with dialogue.

Analysis is based upon data from a 3-year ESRC-funded research project into the impact of stakeholder dialogue in the CSR sphere. In particular, it will utilise material from interviews, workshops and focus groups, with NGOs, companies and third-party facilitator organisations to examine the impact that dialogue has had upon the relationships between businesses and NGOs.

The Importance of Stakeholder Management and Dialogue

As CSR has become an increasingly important framework through which businesses have sought to define and account for their social and environmental impacts, many companies have begun to examine their relationships with a broader set of stakeholders extending far beyond the confines of the traditional shareholder community towards what Freeman described as 'any group or individual who can affect or is affected by the achievement of an organisation's purpose' (Freeman 1984; 52). By successfully understanding and incorporating the diverse perspectives of stakeholders, it is argued that a company can avoid the risks of damaging publicity and potentially increase its 'social capital' as it gains greater respectability and credibility (see e.g. Donaldson and Preston 1995; Waddock 2001; Blair 1998).

The increased concern with the demands of stakeholders has resulted in a growing focus upon the identification and management of stakeholder relations. However, ideas of *managing* the needs and expectations have tended to dominate this field (Jonker and Nijhof 2006; 457). Work has predominantly focused upon helping companies to prioritise and understand stakeholder demands and opinions and developing strategies for stakeholder engagement. Many companies have focused upon disseminating information regarding company practice through social and environmental reporting, although these processes represent a relatively weak form of engagement, based largely upon dissemination rather than interaction (see e.g. Owen and O'Dwyer 2008). This form of management

inevitably implies a ‘one-sided “monologue” initiated and controlled by the organisation’ (Jonker and Nijhof 2006; 457).

In going beyond ‘managing’ stakeholder demands through information dissemination, some companies have sought to undertake far more interactive forms of stakeholder engagement, reflecting a transition away from stakeholder ‘management’ and towards stakeholder ‘relations’ (See Fineman and Clark 1996; Collins and Kearins 2007). In particular, increased emphasis has been placed on the concept of stakeholder dialogue. Payne and Calton (2002) describe this transition in manager–stakeholder relations as going from ‘the need for unilateral managerial cognition and control to a perceived need by some for reciprocal engagement and new dialogic forms of collective cognition’ (Payne and Calton 2002; 121). Dialogue between companies and stakeholders represents an interactive process of stakeholder engagement. As Lawrence (2002) suggests, constructing and implementing successful dialogues ‘encourage both companies and stakeholder organisations to engage more often in the difficult, but productive, task of listening to and learning from one another’ (Lawrence 2002; 199).

Dialogue is identified as an important channel through which to transcend beyond traditional conflictual processes of communication and develop a more progressive form of engagement and understanding (see e.g. Arts 2002; Millar et al. 2004; Weick 1995).¹ This form of dialogue inevitably implies a changing relationship between a company and its stakeholders. Payne and Calton (2002), for example, argue that through stakeholder dialogue ‘preconceived relationships between self and others changes as new learning occurs’ (Payne and Calton 2002; 133). Drawing from this work, a key aspect of any examination of engagement processes must be a better understanding of the ways in which organisations experience strategic repositioning through the processes of dialogue and engagement. This repositioning represents the central focus of this article.

Highlighting ‘the Stakeholder’: the Imbalance in Stakeholder Theory

Due to its predominant focus upon business organisations, much of the previous stakeholder literature has been unable to capture these repositioning processes from both sides. So far the analysis of these relationships has remained relatively one-sided, with a significant overemphasis upon the role and impact on business.

Steurer (2006) attempts a broad mapping of stakeholder theory dividing the field into three distinct approaches: corporate, stakeholder and conceptual. He summarises these approaches as follows:

The corporate perspective focuses upon how corporations deal with stakeholders, the stakeholder perspective analyses how stakeholders try to influence corporations and the conceptual perspective explores how particular concepts such as 'the common good' or sustainable development, relate to business-stakeholder interactions (Steurer 2006; 56).

In evaluating the contributions within stakeholder theory, Steurer argues that the stakeholder perspective is currently the least developed. He emphasises the importance of evaluating these process from a non-corporate-centric perspective, reflecting on Sutherland Rahman and Waddock's (2003) claim that:

The role of management becomes immeasurably more challenging when stakeholders are no longer seen as simply the objects of managerial action but as subjects with their own objectives and purposes (Sutherland Rahman and Waddock 2003; 12).

While highlighting the importance of developing more research from the stakeholder perspective, Steurer's work goes further by combining this initial three-dimensional approach with the second-order approach of Donaldson and Preston. Donaldson and Preston's typology distinguishes between normative, instrumental and descriptive approaches to stakeholder analysis [or in Steurer's explanation—what should happen (normative), what does happen (empirical/descriptive) and what would happen if (instrumental)? (Steurer 2006; 60)]. Steurer utilises this conceptualisation to identify the potential strengths, weaknesses and gaps within stakeholder research. To this end, he argues that stakeholder theory is currently weak in terms of 'descriptive and empirical analyses of business-stakeholder interactions' (Steurer 2006; 56). He suggests that:

A better understanding of stakeholder engagement derived from empirical analyses of what stakeholders expect from, and how they interact with, firms under certain conditions is certainly an important issue for researchers (Steurer 2006; 66).

Friedman and Miles (2002) similarly argue that stakeholder theory has been hampered by an 'almost exclusive analysis of stakeholders from the perspective of the organisation' (2002; 2). This imbalance within stakeholder theory is also identified in the work of Frooman (1999), who argues that much of the business-centric emphasis of stakeholder research stems from the business focused, 'hub and spoke' conceptualisation of stakeholder relations developed by Freeman, the consequence of which, he suggests, is that stakeholder relationships have predominantly been viewed as 'dyadic, independent of one another, viewed largely from the

firm's vantage point and defined in terms of actor attributes' (Frooman 1999; 191). Frooman, as with Friedman and Miles, suggests that the narrowness of the conceptualisation of stakeholder analysis has led to a restrictive and only partial understanding of the nature of business relationships with stakeholders. To be truly effective to a firm seeking to manage its stakeholder relations, he argues that stakeholder theory must 'provide an account of how stakeholders try to manage a firm' (Frooman 1999; 192). Van Huijstee and Glasbergen (2010) note a similar prioritisation in research on business–NGO interactions, claiming that this literature is 'often prescriptive in the sense that it aims to provide advice on how to manage new business-NGO relationships' (Van Huijstee and Glasbergen 2010; 251) rather than looking more closely at the impact of these changing relationships.

This article addresses this gap within stakeholder theory by focusing upon dialogue between businesses and NGOs, giving particular attention to the experiences of NGOs within this process. By adopting a stakeholder lens, the article provides significant insight into the role that dialogue plays in shaping the strategic positioning of these groups towards interactions with business. Following Steurer's lead, the analysis focuses more closely upon both the stakeholder and conceptual aspects of these interactions, in this case paying close attention to the attitudes of NGOs towards their relationships with business, and focusing upon the conceptual role of dialogue in shaping these interactions. Before examining these dialogue processes in detail, however, the following section examines why NGOs provide a significant focal point for stakeholder research.

NGOs as Key Secondary Stakeholders

Engagements between businesses and NGOs represent a challenging area of stakeholder dialogue. Traditionally, relations between these groups have been relatively hostile, even directly adversarial. Improving these relationships through dialogue is a key challenge for the contemporary business. Daub and Scherrer (2005) argue that 'to systematically nurse and entertain such a relationship [between businesses and NGOs] is a necessity for a successful business in times of change and globalisation' (Daub and Scherrer 2005; 57). A process further enhanced by the fact that NGOs often possess knowledge and technologies not within reach of the company itself. Similarly, Jonker and Nijhof claim that NGOs hold:

Complimentary competencies and resources – such as networks, knowledge and experience – that have become relevant to business in the light of the growing complexity and interdependence of emerging issues with which they are confronted like Governance, HIV, Reputation, Risk and Accountability (Jonker and Nijhof 2006; 458).

However, it is naïve to think that the business community has been the sole driving force behind developing these relationships or that the primary reason has been the recognition of 'complimentary competencies'. While arguably the issues raised above point to an internal logic for greater interaction, in reality, companies in most cases have not initially chosen to interact with NGOs but have found themselves with little option (See Burchell and Cook 2006). As De Bakker and Den Hond note, the influence of stakeholders over firms is more effectively understood as the 'outcome of processes of action, reaction, and interaction' (de Bakker and den Hond 2008; 8).

Why then, are NGOs now gaining an influential role as a key stakeholder, when previously they had largely been seen as one of the groups of potential stakeholders that Mitchell, Agle and Wood described as 'irksome but not dangerous, bothersome but not warranting more than passing management attention, if any at all' (Mitchell et al. 1997; 875)? In seeking to understand the impact of these new challenges upon the business community, recent work has utilised social movement theory to explain both the reasons behind these forms of collective action and the action repertoires undertaken by such groups. Traditional social movement analysis, for example Giugni (1998), highlights the potential power of social movements to influence at multiple levels. He argues that social movements:

Address their message simultaneously to two distinct targets: the powerholders and the general public. On the one hand, they press the political authorities for recognition as well as to get their demands met, at least in part. On the other hand, they seek public support to try to sensitize the population to their cause. At the same time the most common political targets of contemporary movements ... pay particular attention to public opinion and fluctuations therein (Giugni 1998; 379).

Applying social movement theory in the contemporary business context has highlighted social movements' growing ability to gain credence as a key secondary stakeholder through the successful championing of environmental and social issues into the public arena (see De Bakker and Den Hond 2008; King 2008). The application of social movement theory to the stakeholder domain has encouraged a transition away from a predominantly management/business focus and towards the different stakeholders themselves. As King surmises:

collective action among potential stakeholders facilitates the emergence of stakeholder awareness, both among the constituents of the organization and in the eyes of managers. Thus, we should conceive of collective action

as an important factor underlying stakeholder influence.
(King 2008; 22–23).

Applying social movement theory to stakeholder analysis supports the more broad ranging approach encouraged by Frooman and Steurer, outlined earlier, in that it redirects our understanding of the processes of stakeholder engagement towards one in which stakeholders are not necessarily directly 'managed', where the primary focus is not necessarily the firm and where secondary stakeholders utilise a range of differing resources and strategies to gain influence and legitimacy (Burchell and Cook 2006). Similarly, it reflects Kourula and Laasonen's (2010) call for developing greater variance in the theoretical base to bring out new aspects of business–NGO relationships within research in this field.

Identifying social movement actors as significant secondary stakeholders is only one aspect of understanding the increased interaction between businesses and NGOs, however. Little analysis has actually examined the ways in which engagement has altered these traditionally antagonistic relationships (Burchell and Cook 2011). Where research does exist, the focus has largely been on a particular aspect of the emerging relationships, namely the development of formal partnerships (see Bendell 2000; Murphy and Bendell 1997; Schiller 2005; Seitanidi 2010). Senge et al. (2006) focus upon an emerging partnership between Unilever and Oxfam in Indonesia, highlighting the way in which the emerging partnership opens broader awareness among partner organisations. Similarly, a change in expectations and understanding is uncovered within Jonker and Nijhof's (2006) work. Van Huijstee and Glasbergen (2010) examine business–NGO interactions from a multistakeholder perspective, looking at how company relations with other stakeholders impact upon the business–NGO relationship. Again, however, they highlight a familiar gap in research in this area, arguing that much of the work on partnerships focuses upon presenting specific recommendations for managers, suggesting an overemphasis in research on the ability of companies to proactively manage these relationships. This point is reinforced within Kourula and Laasonen's (2010; 57) analysis of research into business–NGO relationships.

While partnership represents a significant formal process of interaction, it is only one aspect of engagement and dialogue. There are many stages of interaction prior to and/or, in place of, this level of engagement and many groups for whom formal partnership would reflect a major ideological challenge. Ahlstrom and Sjoström (2005), for example, note that only a few types of NGOs are suitable for collaboration. Similarly, Nijhof et al. (2008; 155) suggest that business–NGO partnership is not necessarily the best strategy for CSR development in all cases. They reflect that differences

in access, intentions and opportunities to influence make a difference in the way that NGOs act and hence their interest or suitability to formal partnership (see also Belou et al. 2003). Again, however, the primary emphasis is upon the challenge of engagement from a largely business-centric perspective and the strategic choices that partnership creates. Less attention is paid to how these engagements shape the position or strategic choices open to the NGOs themselves.

Invitations to engage with business have been received with mixed reactions from civil society actors. As with other examples of social movement activism, the opportunity to engage with the focal point of protest—often the political system but in this case businesses—raises a significant challenge for the organisations themselves. Social movements' strength has rested upon developing effective and often unconventional strategies for challenging and critiquing established institutions, structures, etc., and raising new issues onto the social and political agendas (see e.g. Melucci 1989; Della Porta and Diani 1998). Opportunities for engagement bring with them concerns over possible containment through cooption, a de-radicalisation of the movements and a diluting of issues to accommodate them within the established political order (Burchell and Cook 2008, 2011; Murphree et al. 1996). Activists are often faced with balancing the opportunity to create incremental change against sacrificing a level of independence. Since it carries significant consequences for NGOs, the move towards some form of engagement strategy is not purely a decision that is in the hands of business. NGOs will also seek to strategically manage this process to define the terms and conditions of engagement. This is clearly reflected in Valor and Merino de Diego's (2009) analysis of business–NGO relationships in Spain in which they reflect upon the way in which fear of co-optation can lead to stronger voices of conflict in the public arena.

This article seeks to examine these pressures and challenges more closely to demonstrate how corporate-focused approaches to stakeholder dialogue can often neglect key relational pressures that have a significant impact upon the engagement strategies undertaken by both businesses and NGOs. In particular, it focuses on relationship transformations in a number of areas: first, transformations in the drivers for business–NGO engagement; second, in the forms that such engagement takes; and third, in the terms of engagement. Examining business–NGO interactions in this light reveals the extent to which the shaping and framing of stakeholder engagement is a process of interaction and repositioning.

Stakeholder Dialogue and the CRADLE Research Project

The empirical data utilised in this article stem from a 3-year Economic and Social Research Council (ESRC) project examining the impact of CSR dialogue processes on relationships between business and NGOs in the UK. The CRADLE (Corporate Responsibility: Action through Dialogue, Learning and Exchange) project was a multimethod study that worked in partnership with organisations involved in dialogue to examine the motivations, experiences and impact of dialogue. Unlike previous studies of dialogue, the focus was not on a single business, NGO or process of dialogue; instead, participants were asked to reflect on their experiences across multiple dialogues. The objective was to capture the range and scope of stakeholder and business experiences. Therefore, the focal points were the processes of dialogue themselves and the experiences of a broad range of actors involved from across the business and NGO communities. As a consequence, the research involved groups who were active in a broad range of different types of engagement activity, ranging from one-to-one engagements between businesses and NGOs to broader stakeholder engagement panels and industry-wide stakeholder dialogue initiatives in which NGOs often engaged in the process as a group. Utilising this broad framework, the research tracked specific ongoing dialogue processes. In addition, however, the research also hosted focus groups, bringing participants together to discuss their experiences of dialogue as a process. This was important as it allowed participants to reflect on the nature of the dialogue process itself, rather than specific challenges within any one dialogue process. These methods were selected to enable the research to uncover the drivers behind dialogue, factors shaping the decision to engage and the consequential transformations in business–NGO relations.

The location of the study was at the national level, with a strong emphasis on fieldwork in London due to the HQ location of the majority of businesses and NGOs. Some of the fieldwork also took place in the English regions again based upon the location of head offices and specific dialogue initiatives. All the businesses in the study were large-scale national or multinational corporations. The NGOs were all national or internationally based campaigning organisations active in a combination of protest, lobbying and advocacy activities. The study undertook three phases of fieldwork: phase one included a national survey of dialogue partners, the retrospective study of large-scale dialogues and analysis of company CSR reports. This laid the ground for the qualitative fieldwork which formed phases two and three. Phase two examined experiences of dialogue and utilised focus groups (N = 4) and in-depth interviews (N = 63) with companies, NGOs and groups designed to facilitate dialogue including CSR consultancies and civil society agencies.² Focus groups were selected as one of the main research instruments due to their capacity to allow the space for differences of opinion as well as facilitating collective understandings of experiences and approaches to dialogue (Morgan 1993). Interviews

allowed for the exploration of issues raised in the focus groups, providing an opportunity for participants to discuss the details and their organisation's strategies (Mason 2002). Phase three examined dialogue in practice through two company-based studies where dialogue on CSR was being developed. While the discussion within this article reflects on the whole range of research findings generated by this study, the data cited here primarily come from the one-to-one interviews and focus groups. Fundamental principles of informed consent underpinned the fieldwork, and all participants completed signed consent forms. Focus groups and interviews were recorded and transcribed verbatim, and they were then analysed using framework analysis and thematic coding techniques (Ritchie and Spencer 2003; Mason 2002). A thematic framework was developed based upon an open and systematic analysis of the raw data into core themes of comparable analysis, ensuring that emerging issues were accurately reflected and accommodated within the analytical framework.

The remaining sections explore key themes emerging from this research. While it should be noted that the research engaged with a broad range of NGOs and businesses, with markedly different styles, strategies and approaches to engagement, the discussion presented below reflects on areas of shared perspective emerging from both the interviews and the workshops. While we would in no way wish the findings to imply that NGOs or businesses can be seen as homogeneous groups, the discussion does highlight key issues and themes which all groups have had to confront as a consequence of engaging in dialogue, and which have impacted upon NGO–business relationships. The consequences and strategic shift within particular organisations inevitably will vary, but the purpose of this discussion is to try and contextualise the key issues and themes emerging from dialogue that have transformed the nature of business–NGO relationships. Inevitably therefore, some level of extraction and generalisation is necessary in the discussion. With this in mind, the article will focus upon three key areas of transformation. First, the transformations in the drivers for business–NGO engagement are examined; second, it explores the transformations that take place in the style of engagement; and third, it analyses the ways in which the terms of engagement are set by both business and NGO agendas. Finally, the article concludes by conceptualising these transformations in business–NGO relationships.

Transformations in the Drivers for Engagement

Transformations in business–NGO relationships have been brought about by the emergence of new drivers for engagement, which have led both businesses and NGOs to often seek ways to move away from traditionally adversarial relationships and towards new forms of cooperation (Schiller 2005). These drivers include risk to the brand, the transition

towards solution-oriented perspectives and the maintenance of the licence to operate. While discussions highlighted the broad range of drivers behind engagement, study participants identified particular pressures that they felt played a significant role in reshaping recent business–NGO dialogue. For businesses, emphasis was placed upon the importance of risk management and the external pressures exerted upon their brands and their licence to operate reflecting many of the themes evident in the literature (see Holtbrugge and Berg 2004; LaFrance and Lehmann 2005). Under these conditions, there was a clear emphasis on at least being seen to engage and listen to the voices representing civil society. While previous discussions often highlight the internally motivated ‘business case’ logics for companies seeking closer engagement with stakeholders (Kaptein and Van Tulder 2003), one of the key themes to emerge from this research was the central role played by NGO-campaigning in pushing companies towards strategies of engagement. As one company representative candidly observed:

I don't really think we'd do this if we weren't campaigned against. I would hope that we would ... but it was a campaign against the brand and against the trust of the brand, and that was how it was initiated (Business Focus Group).

This, and similar responses from other company representatives within the study, supports the social movement approach to business–NGO engagement in emphasising the important power that NGOs can gain through their role as ‘social watchdogs’, gaining influence as key secondary stakeholders through their ability to influence public opinion (den Hond and de Bakker 2007; King 2008). As will be discussed later, NGOs were concerned that if a key driver for business engagement lay with alleviating campaign threats, to what extent would businesses enter dialogue purely to negate such threats rather than to actually interact and understand their stakeholders. As a consequence, as the following quote demonstrates, NGO participants were often quite sceptical of the motivations behind engagement.

...one of the main reasons why companies want to go into dialogue is because of what you were saying, because of fear, because of this risk management, because they fear having actions taken against them—that the public won't give them their license to operate, that the governments might actually regulate against them (Environmental NGO Interview).

These experiences raise questions around the capacity of drivers focused upon risk and licence to operate to generate ‘genuine’ forms of engagement, as opposed to more superficial risk off-setting exercises.

Although the reputational benefits to business and brand are fairly transparent, NGO motivations for engagement are arguably less apparent. While much of the existing literature focuses upon a fairly rigid dichotomy between NGOs who adopt strategies of either conflict or cooperation, evidence from this study suggests a far more nuanced strategic approach. NGOs talked about a range of pressures encouraging them to undertake engagement strategies. Interestingly, the concerns around reputation management and brand, highlighted by the business participants, were also identified by the NGOs as key drivers. In particular, these aspects related to NGO concern to maintain their connection with their own stakeholder communities and to demonstrate that public support for their campaigns could bring about change. At the heart of this, for many groups, was the importance of being perceived as offering solutions rather than simply criticising business activity. As one NGO summarised, the business community has put out a challenge to NGOs 'as if to say, well you are constantly campaigning against us, why don't you actually help us find a solution' (NGO Focus Group). Having gained social legitimacy through active campaigning for change in business practice, it was felt that taking the next step and seeking to influence policy was becoming central to their own continued legitimacy. One campaigner summarised their experiences as follows:

I thought well what have I been campaigning for all these years, I've been banging on the doors of the nuclear industry, nobody wanted to know and here they are open door saying come in, what if I don't do that,... it makes a nonsense of the whole groups work over all that time (Environmental NGO Interview).

NGO participants reflected on the challenge that engagement placed upon their organisations. In many cases, participation in dialogue with large multinationals often resulted in 'increased brand presence', which again strengthened the organisations' roles as societal 'watchdogs'. This would suggest a challenging dilemma for many civil society organisations in which they juggle the potential for increased recognition as a constructive voice of change, with a continuing commitment to reflect the concerns and demands of their own stakeholders whose support for direct action activities provided the basis for gaining influence in the first place. Brand and reputational pressures therefore played a central role as a key driver to engagement from both business and NGO perspectives, almost driving a transition in relationships from confrontation towards engagement and cooperation.

Transformations in the Processes of Engagement

When discussing the motivations and benefits of increased interaction, businesses and NGOs spoke of transformations in the way they approached

and understood each others' perspectives. This was most evident in the success of dialogue in transforming previously adversarial relations into more open forms of engagement—albeit with varying degrees of success in terms of outcomes. Reflecting previous analysis of stakeholder engagements (Schiller 2005; Senge1990; Weick 1995; Waddock 2001), participants talked of how dialogue had led to a breaking down of assumptions, a process of 'demystification', alongside the development of new knowledge and joint solutions. From all sides, there was a suggestion that dialogue had played an influential role in creating a greater understanding of the different perspectives and values which groups brought into any form of interaction. This process often resulted in participants developing more complex understandings of each other and their organisations and the pressures they operated within. Dialogue thus enabled groups to move beyond preconceived stereotypes, which often had created an impasse between organisations, and enabled relationships to move beyond conflict and towards looking for joint solutions. As one business respondent noted:

Without dialogue you've not got a chance of understanding what the NGOs want. And what you might think they want could be completely different and certainly from our experience, it wasn't until we really started having regular dialogues with NGOs five years ago that we actually found that a lot of our agendas were very, very similar to theirs (Business Focus Group).

Likewise, NGOs discussed how through dialogue they had learnt more about the constraints under which businesses operate, which enabled them to gain valuable insight into how best to influence company practice.

I think it is easy to stand on the outside and assume that businesses are with the devil where actually if you go and talk to them and understand them the people that work there are just normal people ... I think there is a defogging or demystification of business generally (Dialogue Facilitator Interview).

In this respect, dialogue holds the potential to demystify the perspectives of stakeholders and business (Payne and Calton 2002) and create the foundations for developing joint solutions, an opportunity for 'Looking through the Eyes of Others' as suggested by Jonker and Nijhof (2006).

Many of the businesses that participated in the research saw dialogue as facilitating 'joint learning', which was then used to inform corporate decision-making processes. Business perspectives on the value of engagement reflected many of the traditional 'business case' arguments for a stakeholder management approach. Dialogue offered insight into the broader stakeholder community without which businesses would fail to

understand why certain solutions and processes are received negatively, even when they appear to be the most effective solution to a problem. For example, one business participant emphasised why his company involved a broad range of staff in dialogue:

Going out and talking to some of the stakeholders they have found out that the problem isn't what it was, the solution wouldn't be what we thought it was, and then in any case even if we did go away and do our research and put in a solution no one would trust us anyway ... they get a [...] picture of what the problem actually was in the first place. (Business Focus Group).

Another respondent discussed how dialogue can help identify unforeseen risks:

Rather than just having a single track of decision making you end up seeing a much wider range of impact, uncertainty and expectations that people outside of the immediate supply chain have of you as an organisation and your decisions and you start to understand the impact you have but also you start to understand some of the other risks that are out there (Business Participant, Workshop Focus Group on Trust).

However, engagement in stakeholder dialogue was not identified as a simplistic process that is easily managed. While businesses and many NGOs identified benefits from dialogue, they also stressed how this had come about through significant shifts in organisational cultures, occasionally involving uncomfortable levels of organisational risk. In the case of NGOs, this could leave the organisation vulnerable to criticism and take up scarce resources with no tangible outcome. Participants identified the kinds of changes in approach and organisational culture that had enabled successful dialogue. The ability to build each other's perspectives into negotiation strategies was seen as essential. However, this involved compromise as it was recognised as unlikely that dialogue would result in either party getting all of their interests met. Both NGO and business participants spoke of having to adjust their objectives in order to achieve an effective outcome.

We wanted to change the way we did business... in the past the industry was very good at a 'decide, announce, defend' type of approach. We spent an awful lot of time defending and if you change that around you take people with you on decisions (Energy Company Interview).

While both businesses and NGOs talked of a 'cultural shift', it was more strongly emphasised in the NGO interviews. Many NGO participants explained how engaging in dialogue had posed challenges for their

organisations, exposing them to the risks involved in investing in processes with no certain outcomes. Participants spoke of working outside of their comfort zone of campaign and protest and towards a new system of dialogue and negotiation to develop joint solutions with business. Dialogue involved adopting a completely different approach to working, one that is more complex, time-consuming and risky than direct action campaigning. NGOs described the challenges of engaging in what Lawrence (2002) terms the challenging task of listening and learning from each other.

When there are crises and there are problems it is much easier to polarise ... than it is to say 'Ok let's work on a solution'. I think that is something that is much harder to do and requires effort, ongoing effort from both sides by a common language and a common rapport. ... and it is more resource intensive. It also leaves us open to criticism (Environmental NGO, Interview).

Clearly, the emerging business–NGO relationships pose challenges to participating organisations. Adopting a stakeholder lens highlights the manner in which both businesses and NGOs engage in a process of 'managing' the risks and opportunities of dialogue (Frooman 1999; Freidman and Miles 2002; Steurer 2006). The experiences outlined by the organisations in this study demonstrate that engagement and dialogue is not always a simplistic process to manage and that as both Nijhof et al. (2008) and Van Huijstee and Glasbergen's (2010) analyses demonstrate, constructive, collaborative business–NGO engagement is not always the most suitable option. Consequently, if both parties are not prepared to undertake the changes in organisational practice that dialogue requires, then the process is unlikely to succeed. Again, the analysis in this section illustrates the importance that participants placed upon dialogue being backed up by a series of organisational adaptations and new processes of decision-making, rather than more superficial attempts to manage risk.

Transforming the Terms of Engagement

NGO participants identified a number of strategic changes adopted by their organisations as a consequence of engaging in direct dialogic relations with business. In particular, they discussed giving greater consideration to the terms under which they engaged. First, these strategic approaches were driven by core resource pressures, namely the need to use their resources for maximum impact. As one NGO explained, 'part of that debate is going to be about the proportion of work that is oppositional and the proportion of work that is coalitional or dialogue' (Human Rights NGO Interview). In this context, NGOs need to feel that dialogue will result in tangible change. Second, NGOs also face a series of decisions around the implications of developing closer relationships with business, in particular

assessing the relative risks of cooptation and containment compared to the potential for shaping change.

One of the key challenges highlighted during the research was the inequality of resources that exist between large corporations and civil society-based organisations. While large companies were able to invest significant resources into dialogue, many NGOs relied on one- or two-person teams. One participant recounted how

...when you get into these dialogues of course, what you get is an army of corporate lawyers come through the door with you know 58 other senior executives and you have two people sat on your side of the desk and it is that sort of imbalance and that's where on occasions you get this suspicion that ... 'we can string this out for as long as you want because we have got people here who can come in, whilst we get on with our business' (NGO Focus Group).

Adding to this resource imbalance, both NGO and facilitator organisations spoke of their concerns about asymmetrical learning with some feeling like they had been 'mined for information' with no guaranteed change in business practice. One facilitator noted:

there is this whole stakeholder fatigue thing. Everyone is being asked all the time to go and get involved in these processes, they don't see the results, they don't see it leading anywhere, they are not really getting any learning out of it (Dialogue Facilitator Interview).

Inevitably, these types of negative experiences have led to a reassessment of the value of dialogic relationships with businesses. Dialogue therefore often placed business in an advantageous position regarding resources and power. NGOs also spoke of experiences in which extensive dialogue resulted in no change in business practice, and a feeling of wasted resources. One NGO had spent 2 years working with a major retailer to source its timber products sustainably, only for the company to return to importing illegally harvested timber 12 months after the dialogue had finished.

The risks of containment were also widely discussed; NGOs gave experiences of some businesses using dialogue to quell criticism, failing to implement any substantive changes, thus co-opting NGOs through appropriation (Murphree et al. 1996). In this way, companies have been able to benefit from the legitimacy of working with NGOs while continuing to conduct business as usual. This notion of dialogue as containment and appropriation was also reflected in a tendency for businesses to expect concessions from NGOs once in dialogue. In this way, companies were

seen to be utilising this new relationship as a way of silencing protest. The call for NGOs to cease campaigning while in dialogue is often dressed up as an issue of trust. As one NGO participant noted:

I have certainly encountered one situation where because the dialogue is then opened up as a result of campaigning work, the company has assumed that then we will drop the campaign or we will stop what they perceive as negative... I can see in a way why they think that but it is unreasonable because if they haven't addressed the issue then a very sceptical view could be that as long as we engage in dialogue we are not actually necessarily achieving any change but they don't have negative publicity (Environmental NGO interview).

This study found numerous examples cited where businesses had been perceived as using dialogue as an extension of traditional stakeholder management (Jonker and Nijhof 2006). It should be noted, however, that some companies also expressed concern at the failure of dialogue to achieve tangible changes and the damage this does to developing relations of trust. Both sides recognised that the development of practical solutions and corporate policy change was vital in maintaining NGO commitment.

It is very important that you honour those interactions with action and until we have the kind of internal mechanisms to deliver that action, I think there is a huge issue of raising everybody's expectations far too quickly (Business focus group).

Negative experiences of dialogue have undoubtedly played a strong role in driving NGOs to engage more strategically with business; developing clear terms of engagement; and utilising the threat of withdrawal and negative campaigning to strengthen their hand in dialogue. This pattern reflects the dual strategic approaches highlighted by Valor and Merino de Diego (2009), in which the threat of co-optation through dialogue can lead to more vociferous direct action campaigning. In some cases, NGOs decided that they could not justify the use of time and resources for no return and as a consequence no longer engaged in dialogues with businesses. Others have chosen to more strategically deploy their dialogue resources in terms of requiring evidence from businesses of a 'genuine' commitment to change before engaging in dialogue processes—a more strategic form of 'selective engagement'. In this regard, some NGO participants spoke of how they had 'wised up' and are more selective about who they are willing to work with. In particular, they spoke of not working with companies who do not see CSR as impacting on 'the main business'. NGOs are starting to develop clear terms for engagement, including seeking ways to get to the heart of business motivations for dialogue. The relative gains are weighed up against the very real threats to NGO reputation in terms of how their

engagement would be perceived if the dialogue fails or if the company is revealed to be continuing to operate unethically. One NGO representative described the process as follows:

...if they have the aspiration to change... then potentially we can create a relationship with them ... They must cross a certain threshold of performance before we can take them on that is in respect to our mission and it is also in respect to our brand and the fact that we don't want to be devalued by inappropriate relationships. So we go through a very thorough due diligence exercise (Environmental NGO Interview).

NGO participants also spoke of having to be very clear about what was expected from any relationship with a business.

Further evidence of NGOs adopting more strategic approaches is highlighted by their utilisation of dialogue in combination with other strategies. Dialogue is not treated as a singular strategy, but is used alongside campaigning and the threat of withdrawal to exert pressure. For example, where companies expected dialogue to lead to the cessation of campaigning, NGOs saw this as handing over too much control and were aware that the campaigning channel was a key aspect of their action repertoire (den Hond and de Bakker 2007). While new relationships might change the manner in which NGOs approached companies, they were clear that this did not preclude the right to direct action:

we reserve the right no matter what is happening in the negotiations or the discussions that we are having, that if we find out something then we will actually plaster that across the newspapers etc., ... I think it is crucial that they do understand and are reminded of that fact constantly... (NGO Focus Group).

This is clearly illustrative of the way in which NGOs are increasingly deploying new strategies to manage their relationships with business rather than passively accepting all offers of engagement under any terms.

Strategic Relations of Engagement

As the above discussion demonstrates, business–NGO dialogue reflects a complex process of interaction. Consequently, simply accepting that dialogue equals containment risks severely misunderstanding the nature of many of these relationships; if one assumes this, one effectively subsumes the NGOs into the role of 'passive' agents accepting of relationships at any price and adopts an approach more reflective of the traditional corporate-centric view of stakeholder theory (as discussed earlier). Approached from

this perspective, stakeholder theory currently has little ability to analyse that stakeholders themselves develop strategies for how, and on what terms, they will engage with business. Further, it is unable to understand the role played by those organisations who choose not to engage in dialogue but to maintain critical pressure from outside (see Unerman and O'Dwyer 2006). These research data point to a much more complex set of relationships emerging through dialogue; relationships in which NGOs are far more 'proactive' in 'managing' the risks and opportunities offered and take a strategic approach to deciding when to engage and when to confront.

While NGOs are facing increasing pressure to engage, experiences of poor relationships have been influential in reshaping approaches to dialogue. As outlined above, experiences of engagement have created greater awareness among the NGO community not to be sidetracked into accepting all offers. In this respect, NGOs are confronted with a key dilemma:

...does the mere fact that your engaging in any kind of dialogue actually play into the company's hands. From the point of view that once they are in dialogue they have even less incentive to do anything (Human Rights NGO Interview).

In addition to NGOs using strategies of selective engagement and multiple tactics, the ability to apply pressure from an external standpoint is another vital component, not just in relation to each individual organisations' action repertoire but also with regard to how the NGOs interacted with one another. This again reflects a key finding within Valor and Merino de Diego's (2009) analysis in which they argue that there is an important dynamic between conflict and cooperation strategies, both within individual NGOs and across groups of NGOs. Reflecting this theme, participants in the CRADLE study spoke of how it was important that not all NGOs chose to engage in dialogue. On the one hand, it was suggested that campaigning helped to restrict the possibility of engagement leading to the containment of protest. At the same time, for those groups who were engaging in dialogue, the perceived threat of action from other NGOs outside of the process helped them to keep negotiations moving forward, as this business quote highlights:

...it is actually better that Greenpeace, Friends of the Earth and all that don't get involved in these engagement processes. Their role is to sort of push the issues up the agenda so that the problem holders will want to talk about them and if everyone is talking to everyone then a lot of people who are being talked to aren't getting any pressure to actually change at all (Business Participant, Workshop Focus Group on Trust).

This pattern appears to reflect that analysed within the American Civil Rights movement by Haines (1984). There, he identified a 'positive radical flank effect', in which 'the radicals can provide a militant foil against which moderate strategies and demands are redefined and normalised—in other words treated as “reasonable”' (Haines 1984; 32). Analysis of NGO activities towards the business community suggests a similar division between those groups who choose to engage and those who choose to remain outside (see Burchell and Cook 2011).

Towards a Conceptualisation of Transformations in Stakeholder Relationships

This article has examined how experiences of stakeholder dialogue have impacted upon the strategic approaches of businesses and NGOs to engagement and the manner in which groups perceive the opportunities and constraints inherent within these engagement processes. In doing so, it has adopted an analytical lens developed by Frooman, Freedman and Miles and Steurer, which encourages greater focus upon the stakeholders themselves rather than traditional corporate-centric approaches to stakeholder identification, management and engagement. In particular, the article has revealed the important ways in which stakeholders themselves manage and shape their relationships with business, rather than placing the primary focus upon how businesses manage their stakeholders. By focusing more heavily upon the impact on one particular stakeholder community (NGOs) and looking in depth at one form of engagement (stakeholder dialogue), this article has highlighted the ways in which experiences, and perceptions, of dialogue are strategically transforming interactions between businesses and NGOs.

Dialogue can be seen as transforming the ways in which businesses and NGOs seek to interact, even if the degree to which this changes core decision-making remains uneven. In this respect, this study supports the claim that NGOs are becoming increasingly significant secondary stakeholders (Daub and Scherrer 2005; Jonker and Nijhof 2006) and are developing more complex strategies towards engagement (Valor and Merino de Diego 2009). Further, the direct focus upon the experiences of NGOs as stakeholders has provided key insights that inform a new framework for examining the impact of dialogue on strategies for business–stakeholder engagement. Ultimately, an effective picture of this process can only be developed when one acknowledges that the stakeholder experiences and objectives will reshape strategies of engagement equally as much as business ones. In this respect, the article attempts to redress the imbalance noted by Van Huijstee and Glasbergen (2010) and Kourula and Laasonen (2010) towards a predominant research focus upon how businesses can manage engagement. As this article has

demonstrated, experiences of engagement have led NGOs to develop far more complex strategic patterns for how to manage dialogue with business.

The analysis examined how the experiences of dialogue have transformed the ways in which NGOs approach corporate engagement. To this end, the research highlighted three key areas of transformation which have impacted upon these relationships: transformations in the drivers for engagement, transformations in the processes of engagement and transformations in the terms of engagement. Table 1 below provides a brief summary of the key emerging themes that were highlighted within the three areas of transformation.

Table 1

A summary of key emerging themes across three areas of transformation

Types of transformation	Key themes
Transformations in the drivers for engagement	Shifting relations between businesses and their critics. Move towards constructive solutions approach
	Emphasis on protecting the brand for both companies and their stakeholders
	Maintaining the 'licence to operate'
Transformations in the processes of engagement	Transition towards relations of joint learning
	Developing a more complex understanding of the 'other'
	Demystifying the 'enemy'
	Cultural adaptations in organisations' approaches to engagement
	Negotiation replacing antagonism
Transformations in the terms of engagement	Examining the terms upon which groups engage
	Emphasising the importance of 'tangible' change
	Evaluating risks versus gains
	Assessing what is 'given up' to engage in dialogue and identifying boundaries to what is 'acceptable'

Types of transformation	Key themes
	Questioning the use of scant resources.
	Assessing imbalance of resources between parties

Examining these transformations and their impact provide a useful framework for understanding the more complex patterns of relationship change emerging through processes of stakeholder engagement. Of particular significance is that examining these areas of transformation reveals the interactions at play in framing and shaping the evolving relationships between business and its stakeholders. Within this context, identifying dialogue as a stakeholder management tool for containment of protest becomes too simplistic. While the threat of co-optation through appropriation is evident, NGOs have quite clearly maintained an important strategic balance between cooperation and confrontation, not only within individual organisations but across the NGO community.

Importantly, adopting a stakeholder lens has also highlighted the strategic impact of those groups who choose not to engage in direct forms of dialogue and remain critically outside of these processes. Both businesses and NGOs cited examples of where more critical forms of protest, external to the dialogue, had brought about transformations in business practice and influenced relationships between dialogue participants. While traditional corporate-centric approaches would largely discount the role of more radical NGOs as falling outside of the stakeholder domain, this research has highlighted how their value rests with the influence they provide to other stakeholders rather than the direct impact they have upon the company.

The external role of NGOS is clearly important for the way in which we approach analysis of business–stakeholder relationships. While individual case studies of particular business–NGO relationships may provide interesting detail regarding that particular engagement, one should always place that engagement process in a broader context of wider ongoing NGO activity. While one group may be seen to be following a relatively cooperative strategy towards its relationship with business, this may well be framed within a context of ongoing confrontational external activities that may play a strong role in pushing companies towards engagement which they may otherwise have avoided. A greater examination of a potential radical flank effect on shaping stakeholder engagement and dialogue would be an interesting development in this regard. Van Huijstee and Glasbergen’s (2010) analytical model for business–NGO interactions may provide a useful starting point in this respect. While their model focuses upon the additional stakeholders surrounding the business and

their influence on the character of business–NGO interactions, our analysis suggests that a similar set of stakeholder influences will shape NGO strategies towards business interaction. Such an approach would continue to develop a more systematic picture of stakeholder engagement in which we no longer position the business as the central focal point of interaction, but as part of a broader network of engagement and negotiation.

Seen from this more inclusive vantage point, the processes of transformation examined in this article reveal that both businesses and stakeholders seek to actively manage their engagement processes in order to best achieve their organisational objectives, thus reflecting Frooman's call for greater examination of 'how stakeholders manage a firm' (Frooman 1999; 192). For the NGO community, this involves balancing the primary tactics that have led to them becoming identified as key secondary stakeholders, that is, campaign, protest, exposure, with the more 'institutional' channels provided through stakeholder dialogue. Engagement has therefore challenged NGOs to scrutinise more carefully how they can deploy resources in a strategic way to gain the greatest impact.

This article has shown that stakeholder engagement cannot be viewed solely in terms of the positive value to the company, but also in terms of the impact upon the stakeholders themselves. As dialogue processes evolve so too do, the strategies employed by stakeholders to ensure their concerns are met. A growing process of 'dialogue fatigue' is evident as NGOs find themselves inundated with requests to engage in processes that, in many cases, prove to be little more than a talking shop. NGOs are quickly becoming more selective regarding dialogue and its conditions. Without a clearer understanding of exactly what dialogue entails and a recognition that discussion without action does not equate to successful stakeholder engagement, companies may find that although they will be able to identify their stakeholders, they will find it far harder to get them to engage in any form of interaction. Without doubt, they will certainly find it harder to manage them.

Footnotes

1

Waddock (2001) argues for a similar conception in her work on stakeholder dialogue, claiming that firms are increasingly moving towards engagement strategies focused upon processes of mutual responsibility, information-sharing, open and respectful dialogue and an ongoing commitment to problem-solving.

2

Focus groups included the following: One each was run with businesses and NGOs, and then a workshop was organised that brought together all parties in two parallel focus group discussions, one on trust and the other on outcomes and impacts from dialogue.

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