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Corporate–NGO Partnerships through Sustainability Labeling Schemes: Motives and Risks

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Abstract: This article examines the development of partnerships between multinational companies (MNCs) and large nongovernmental organizations (NGOs) through voluntary product labeling schemes. First, the economics, management, and business literature are reviewed to highlight cross-checking, consistencies, and complementarities among these disciplines to identify and analyze the motives of partnering via voluntary product labeling. This analysis shows that, through such partnerships, companies and NGOs share similar objectives, viability and visibility and exchange essential resources, information and legitimacy. The development of shared goals and the complementarity of resources are the basis for successful partnerships, but they also create a phenomenon of blurred roles between companies and NGOs. Each partner enters the other's sphere, which allows for better communication among partners, a clear and common vision of the partnership, a mutual trust, and a symmetric commitment of partners, necessary conditions for successful partnerships. However, I show that this phenomenon also leads to new risks for partners: competition, "NGO-capture", and inconsistency.

Keywords: corporate social responsibility; cross-sector alliance; firm strategies; nongovernmental organizations; sustainability labels

1. Introduction

For the last thirty years, new constraints have been imposed on companies, including the impact of their activities on climate and local communities. Corporate social responsibility (CSR) is now a necessity for corporations. The World Bank defines CSR as "the commitment of businesses to behave ethically and to contribute to sustainable economic development by working with all relevant stakeholders to improve their lives in ways that are good for business, the sustainable development agenda, and society at large" (see the World Bank's website). Faced with the questioning of corporate self-regulation perceived as greenwashing, a new approach has emerged: coregulation and multistakeholder initiatives [1]. The coregulation method involves civil regulation, in which nongovernmental organizations (NGOs) play a key role. The desire to counterbalance the negative reputational impact of self-regulation instruments is a driver of companies' partnerships with NGOs. In this sense, the activities of NGOs in corporate–NGO partnerships appear to result from regulatory failures since NGOs are the institutions in which citizens have the most confidence in almost all countries in Europe, America and Asia—leading companies, governments, and the media for many years [2]. NGOs and firms exert "private political authority" as nonstate actors that can exert legitimate authority at national and international levels in the provision of *public goods* [3]. In other words, they form private regulative institutions, that is, a form of private governance of global social and environmental issues [4].

This research focuses on a particular type of partnership, voluntary product labeling schemes, that can be viewed as corporate social innovation [5] and falls under "strategic CSR" as a socially responsible approach to reinforcing a firm's market position and increasing its long-term profits [6]. The specificity of a corporate–NGO partnership in product labeling schemes is that the names of the partners are explicitly displayed through products as the object of the partnership. In this case, the firm is a channel for the expression of consumer values, which Bénabou and Tirole call "delegated philanthropy" [7], and it helps consumers express their philanthropic desires through their economic decisions. Voluntary product labeling schemes involve a tripartite standards regime: the establishment of criteria or standards, the creation of evaluation mechanisms with independent enforcement or certification, and the recognition of a control party by an authoritative body or through accreditation [8,9]. Therefore, voluntary product labeling schemes are equivalent to Type I (ISO 14024) ISO's classification of labels, which are based on a set of minimal criteria defined by private or public environmental labeling programs and are controlled by third-party certifiers [10]. Type II labels are self-declared claims adopted by manufacturers or retailers, and type III labels consist of quantified product information based on life cycle impacts [10]. Labels are a visible means of signaling to consumers that products meet required standards. In this context, an increasing number of NGOs have developed their own third-party certifications or standards with labels to distinguish sustainability practices from conventional ones. In this way, NGOs often act as standard setters. According to the 2010 Global Ecolabel Monitor, most ecolabels (58%) were operated by nonprofit organizations, 18% by for-profit organizations, 8% by governments, and the remainder by other actors [11].

This study is therefore limited to large NGOs that act as sustainability standard setters for the *common good* and at a national or international level, such as Fairtrade Labelling Organizations (FLO) International (Fairtrade label), Rainforest Alliance, the Marine Stewardship Council, or Forest Stewardship Council. It is important to understand why and how firms choose to work with NGOs rather than standardization offices and agencies or consulting firms. With voluntary product labeling schemes, corporate–NGO partnerships are no longer unilateral, limited, and based purely on a financial transaction, because, with these tools, the two organizations combine their name and then share risks. Together, these two very different types of organizations, multinational companies (MNCs) and NGOs, play an increasingly important role in providing *public goods*—the former because they have resources, global reach, and levers of action, and the latter because they have legitimacy, knowledge, and expertise. The choice of an NGO, that is, of a label, for a firm as partner and the acceptance by the NGO of the firm's proposition then become strategic variables for both partners. Therefore, the question is, does the partnership truly work for the benefit of both partners?

The number of corporate–NGO partnerships has increased significantly, and these partnerships are viewed by academics and practitioners as an unavoidable and powerful means to implement CSR [12–17]. However, the ways in which these partnerships are implemented are not completely understood [18]. The methods of implementing such partnerships are highly related to the partners' motives. To develop successful business–NGO partnerships, it is important to understand the world views, interests, and risks of each party. Moreover, in concrete terms, the proliferation of different labels set by different types of organizations creates consumer confusion, indifference, and even skepticism towards labeling schemes, which may negatively affect their credibility [10]. As a consequence, even third party certified labels awarded by NGOs can be viewed more as a communicating tool than as a signal of environmental or social benefits of a product or service, that is, greenwashing [19]. This phenomenon can have profound negative effects on CSR and NGOs as a whole.

The aim of this study is to explore the problem of loss of credibility that may affect sustainability labeling schemes supported by corporate–NGO partnerships. In a deductive approach, I first analyze why corporate–NGO partnerships in voluntary product labeling schemes are implemented by cross-referencing theoretical analyses from the economics, management, and business literature on this topic to discuss cross-checking, consistencies, and complementary features. The paper then provides the core of my study, that is, the blurred roles between MNCs and NGOs. In other words, using literature from different disciplines, I highlight the most important motives for developing collaborations through labeling schemes for both partners. This allows me to state a hypothesis:

a possible reversal of roles between corporations and NGOs. Indeed, the development of shared goals, viability and visibility, and the complementarity of resources, information and legitimacy, are the basis for a successful implementation of a partnership. However, they also create a "mix of genres" between these two types of organizations. By means of these partnerships, NGOs enter the business sphere and MNCs enter civil society space. This phenomenon allows for better communication between partners, a clear and common vision of the partnership, mutual trust, and a symmetric commitment. All these elements enable the successful implementation of the partnership and the success of the partnership itself. Second, I study this hypothesis through the practical processes of partnership implementation using examples from the agri-food sector, which is one of the most important economic and political areas in the world, with key implications for sustainability, such as the fulfillment of human needs, the support of employment and economic growth, and the impact on the natural environment. Information for cases comes from my previous work (especially the examples related to fair trade and Unilever), as well as from academic and publicly available sources. More specially, I analyze three specific elements in the formation and implementation of partnerships through labeling schemes: the cause of the partnership, the level of involvement of partners, and the brand management. These elements are fundamental for the success of the collaboration. At the same time, they reinforce the mix of genres. Finally, again using concrete examples, I show that this phenomenon of blurred roles also leads to new risks for partners, namely, competition among NGOs, like among MNCs, "NGO capture", and inconsistency for both types of partners. Thus, this analysis allows me to highlight joint benefits and risks of partnering via voluntary product labeling programs. Figure 1 presents the analytical framework of the article.

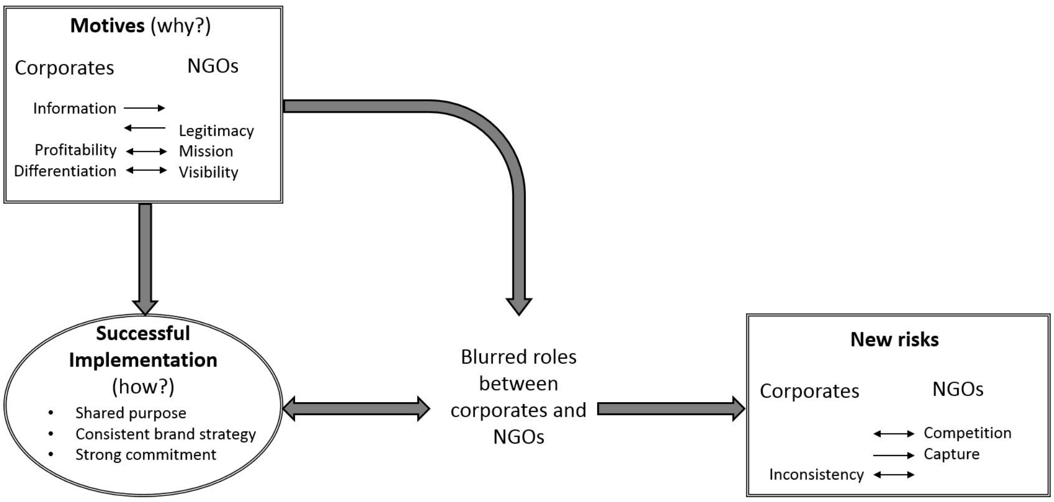

Figure 1. Analytical framework.

The original contribution of this approach is that the analysis is conducted from a dual perspective in terms of concepts and the literature: an economic perspective and a management and business perspective. The academic economics literature includes very few works concerning CSR, and the issue of partnerships is never quite addressed. The authors of [20,21] review the economics of CSR from a broader perspective by analyzing CSR as an answer to four types of market failures: public goods and externalities, imperfect competition, incomplete contracts, and innovation and resources access. The authors of [22] define CSR from an economic perspective having developed a comprehensive taxonomy that connects formerly disparate approaches to the subject. Finally, the authors of [23] review the literature on CSR, considering social preferences and issues such as CSR and firm size and the influence of different corporate governance systems on CSR.

Contrary to the economics literature, the CSR field in the management and business literature is vast and heterogeneous, with a proliferation of theories, approaches, and terminologies [24,25]. One such theory is stakeholder theory, which emphasizes the need for companies to respond to a broader range of stakeholders. Most of the academic literature on business–NGO relations is positioned in a business case orientation, that is, benefits that can be taken away by companies by better considering the expectations of stakeholders [26,27]. Moreover, theories of risk management and organizational learning stress the importance of multistakeholder dialogue and NGO–business partnerships as ways by which firms can acquire knowledge. Furthermore, a growing part of the business and management literature analyzes business–NGO partnerships and their role in affecting CSR, although dyadic antagonism and the pressure response model appear to be the most analyzed issues [15,27].

This article proceeds as follows. First, I present partners' motives for engaging in a voluntary product labeling scheme. Second, some elements of the partnership implementation process are analyzed in greater depth. Afterwards, I analyze the related risks for both partners. Finally, I conclude by summarizing the results and offering suggestions for further research.

2. Motives of Partnerships

A company may engage in CSR activities for various reasons, namely, philanthropy, CSR in a stakeholder approach, strategic CSR, and defensive CSR [6,22,28]. However, it is also important to take NGOs' motivations into account and to consider them as actors in the relationship rather than merely as objects [26], especially in the context of voluntary product labeling schemes that combine the brands of both partners.

2.1. Information

The increasing role of NGOs in CSR activities is explained by the information asymmetry between firms and citizens/consumers [29]. Information asymmetry problems are related to the difficulty of obtaining information about firms' behaviors, operating practices, and sustainability quality of their products. Sustainable goods have attributes that consumers cannot evaluate even when they use them. Consumers cannot inspect particular produce items and, simply by purchasing and using them, determine whether they were grown organically, whether they are the product of biotechnology, or whether a firm harms the environment or builds strong relationships with local communities. Such products are called credence goods [30,31]. There are two other broad classes of products: search goods, which have characteristics that are discoverable through inspection prior to purchase and consumption, and experience goods, which have characteristics that are revealed only through consumption. The presence of credence attributes can create three phenomena: free riding [32], moral hazard [33], and adverse selection [34]. First, greenwashing can be compared to free-riding behavior, as firms may lie about their CSR activities, in particular through self-declared claims (ISO type II labels), and they may receive the benefits related to CSR attributes created by others [29]. Second, this problem can also be compared to moral hazard, which arises when an agent's behavior is not appropriate. In a purchase contract, a firm may provide misleading information about its CSR activities, always through a self-declared label, and customers are then affected because they do not receive the good for which they paid. Third, the adverse selection problem is due to the impossibility of verifying the quality of a product or a corporation's behavior. This leads to oversupply of "low-quality" goods in the market in the classic "lemons" effect [34].

Partnerships can solve these problems with respect to the intangible aspects of business because third-party certification and monitoring improve communication about sustainability issues. Therefore, contractual safeguards, certification, and labels are mechanisms designed to address problems derived from the presence of credence attributes and the consequent information asymmetry. Indeed, quality signals, especially labels, can transform credence attributes into search attributes, whose quality is readily observable prior to purchase [35].

In this context, NGOs represent an important source of information for citizens/consumers who value the behavior of firms and the quality of products. NGOs may affect the information that is available to consumers for their purchasing decisions through two main channels: cooperation and confrontation. These channels are described within the terminology of Lyon as "Good Cop/Bad Cop" [36]. The so-called "bad cops" or polarizing NGOs, such as Greenpeace, tend to achieve change by disrupting the status quo through confrontation and by revealing information about firm practices [37]. Empirical studies of boycotts are inconclusive about their effectiveness [38]. Free riding may be a cause of boycott failures: since boycotting is costly in terms of consumer utility, any consumer has an incentive to free ride, that is, to not participate in the boycott while hoping that it succeeds. Vogel argues that even publicized protests have an insignificant financial impact [39]. For instance, through their condemnation of peoples' rights violations, environmental damage, and greenwashing, the Pinocchio Awards, launched by Friends of the Earth France and ActionAid France in 2008, were an opportunity to report a gap between messaging about sustainable development and actual practices on the ground, and they contributed to CSR by pressuring companies to change their practices by putting their reputations on the line. This initiative was stopped in 2015 because these NGOs report that "naming and shaming and citizen petitions are no longer the only way to keep companies in check" [40]. Moreover, some NGOs and environmental groups are uncomfortable with boycotts since this practice could punish small producers and vulnerable populations, especially in the agri-food sector, in which many globally traded commodities, such as coffee and cocoa, are produced by smallholder farmers and poor workers in developing countries.

The inefficiency of boycotts and their unexpected repercussions may first have induced a new form of ethical or political consumerism, the buycott. In buycotting, consumers make use of product information and labeling to select products or corporations with specific practices and qualities that are considered ethical or sustainable. Second, this may also explain the change in interactions between corporations and NGOs. Indeed, "good cops" or integrating NGOs, such as the World Wildlife Fund (WWF), aim to promote their goals through constructive partnerships with businesses, governments, and other civil society organizations [41].

In the context of the globalization of exchanges and the transnationalization of companies, NGOs are in better position than certifying agencies or governments to provide standards, certifications, and labels because, similar to MNCs, most NGOs act at an international level. In addition, the creation of a label with a tripartite standards regime represents a significant investment in terms of time, knowledge acquisition, expertise, and recognition. Thereby, the necessity to work with MNCs that produce or buy many agricultural products from developing countries, and the high costs of creating, implementing and monitoring proprietary standards, explain the internationalization and professionalization of NGOs with well-identified brands. NGOs engaged in this process become a source of credible information due to their accreditation system supporting the label quality assertion. Indeed, most initiatives provide guarantees and prove their ability to carry out inspections according to standards criteria through an accreditation: the ISO guide 65 regulates work methods (procedures, instructions) for certification bodies no matter what their domain. Finally, through their external intervention, by developing a wide range of more or less strict, non-discretionary regional, national, or international standards and, by delivering credible information, NGOs allow firms to credibly signal that their products possess sustainable attributes.

2.2. Legitimacy

Why are NGOs legitimate actors in disclosing relevant information about corporations? Legitimacy is "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions" ([42], p. 574).

Stakeholder theory argues for the existence of a contract between the firm and society. In the case of a breach of such a contract, the firm loses its legitimacy. Porter and Kramer note that "the notion of license to operate derives from the fact that every company needs tacit or explicit permission from governments, communities, and numerous other stakeholders to do business" ([43], p. 80). Therefore, companies must maintain their stakeholders' authorization to operate and must therefore address their stakeholders. A stakeholder is defined as any group or individual who can affect or is affected by the achievement of the organization's objectives, including employees, customers, consumers, suppliers, investors, communities, governmental bodies, political groups, competitors, trade associations, trade unions, and NGOs [44]. By definition, NGOs basically have a rightful place as a stakeholder. Baur and Palazzo note that the reference to the notion of a *public good* or *common good* in NGOs' claims induces legitimacy per se [3]. Moreover, NGOs spearhead CSR for a number of environmental or social purposes through the information or instruments they provide. The authors of [45] show that such NGOs are recognized by other stakeholders as the primary actors in the introduction and development of CSR and that corporations perceive NGOs as one of their primary stakeholders.

NGOs act as a representative of people, the environment, or future generations, that is, as a representative of any entity affected by companies' activities. For that reason, NGOs are a bridge between corporations and their other stakeholders [46], especially through the flow of information that NGOs create among these entities and the trust that they inspire. Thus, NGOs become the suppliers of legitimacy for firms, and engagement between NGOs and corporations can serve as a risk management tool, i.e., a reputational insurance policy, against attacks on their products or brands.

Nevertheless, it seems that some highly professional and business-oriented NGOs have to reinforce their legitimacy among their potential business partners, corporations and consumers, and other NGOs. For Schepers, global governance mechanisms must possess both moral and pragmatic legitimacy, as the latter is vital to their success. He adds that "the achievement and maintenance of such legitimacies, however, is a constant struggle for such organizations" ([47], p. 293). This is the case for the FLO in the fair trade movement. In 2003, the FLO split into two distinct organizations. While the FLO-I's mission is to develop and review fair trade standards with the Fairtrade label, FLO-Cert as a certifying body ensures that producers and traders comply with these standards. By creating a tripartite standards regime, the FLO has gained legitimacy in the business sphere. Conversely, fair trade movement initiators, such as Alternative Trade Organizations, which are characterized by relational governance in which exchange relations are coordinated through norms of trust, obligation, partnership, and shared expectations, believe that the FLO has lost its legitimacy by undermining the original intent of fair trade [48].

2.3. Profitability and Mission

Firms may secure their supply chain and use CSR as a source of competitive advantage by reducing costs. Indeed, for many MNCs, a large proportion of their agricultural raw materials are purchased on global commodity markets where there is little control over source, quality, and growing methods. MNCs thus risk losing reputation and profitability because of a decrease in their product quality. By developing sustainable relations with suppliers through standards, firms can secure their sources of supply through a long-term partnership, maintain quality standards along the supply chain, and optimize purchase costs since producers and other suppliers will therefore feel more secure. For instance, in the Unilever-Rainforest Alliance partnership on Lipton tea, the created certification system increases the amount of direct transactions between Unilever and farmers, which allows the firm to carry out fewer purchases on the spot market. Finally, the certification scheme boils down to cutting out some intermediaries, which reduces the sourcing cost [48]. Thus, standards can result in more efficient supply chain management along with the environmental and social benefits generated. This is a good example of synergistic collaborative value.

NGOs' resources, such as legitimacy, expertise, and sources of information, are used to achieve certain objectives. It is well known that NGOs operate under the guiding principle of "mission, mission, and more mission" [49]. Mission statements, which can be viewed as a set of concepts toward which an NGO can direct funds, can be used as a strategic instrument to attract donors or consumers and produce a social impact [50]. The intensity with which an NGO addresses issues, such as the stringency of a standard, is also a strategic variable. Moreover, the choice of issues and the level of requirements are sources of differentiation among NGOs [51,52]. A substantial body of literature on the economics of labels compares standard levels by the type of standard-setting organization: government, NGO, or industry [53–56]. In this literature, the objective of the NGO is to maximize social or environmental quality or to minimize a specific threat, which is usually related to an externality or a *public good* in the sense that NGOs are prosocially motivated. However, in the vein of the literature on the donation market, the authors of [51,52] assume that NGOs are concerned only with their own programs, that is, the social output they individually produce. In this sense, NGOs act on behalf of the *common good* and may have particular interests [3]. Given an NGO's mission statement, the rise of societal problems motivates NGOs to collaborate with corporations. Indeed, a partnership is a way to sensitize corporate clientele to the NGO's cause and mission.

The second principle of NGOs is "no money, no mission" [49]. The increasing scarcity of public funds and the increasing number of NGOs force these organizations to find new sources of funding. Because firms are institutions with relatively easier access to financial resources, NGOs are motivated to establish alliances with corporations.

2.4. Visibility and Differentiation

For NGOs, one motivation for collaboration with corporations is the increase in social problems. Indeed, a partnership is a way to sensitize corporate clientele to an NGO's cause. A positive consequence of such partnerships is an increase in visibility that may enhance the NGO's notoriety: an association with a firm with a strategic position in the market is one way for an NGO to strengthen its reputation, public image and political influence [13,57]. For instance, the concept of fair trade experienced an impressive expansion following the launch of the Max Havelaar label (Fairtrade), which is awarded to brand-name products or private label products sold in large retail stores [48,58]. Another example is the partnership between Unilever and Rainforest Alliance, which enabled the American NGO to make itself known in Europe and to develop its activities on this continent.

CSR activities can create a competitive advantage for firms through vertical or horizontal product differentiation. In this context, a firm's supplied product is distinguished from other products by its quality or by specific characteristics or attributes, which might also allow the firm to sell the product at a higher price, create a niche market, or see its market shares grow through the first-mover advantage in the market. Indeed, consumers generally take into consideration firms' CSR activities when making purchase decisions, and this consideration leads to either an increase in willingness to pay (WTP) a premium for the product or an increase in purchase intention [6,59]. With the leading tea brand Lipton, Unilever adopted this last strategy with the conversion of an existing leading brand. In May 2007, Unilever, the world's largest tea company, became the first company to commit to sourcing all of its tea in a sustainable manner, employing the Rainforest Alliance to create standards and to use its label [48]. At the end of 2015, all the tea for Lipton tea bags was sourced from Rainforest Alliance–certified farms, and Unilever is committed to sustainably sourcing 100% of its tea by 2020. This first-mover strategy was actually followed by some competitors, as a few years after the launch of this new labeling scheme, many of Unilever's major competitors, such as Tetley, Twinings, and Pickwick, made similar commitments with different NGOs, including Rainforest Alliance, UTZ Certified, and Fairtrade (FLO), to certify their products.

The use of credible labels allows firms to signal the presence of sustainable attributes and, in doing so, to create the potential for premiums based on that signal. On the demand side, a large number of studies address consumer WTP for environmentally friendly foods and for social sustainability attributes, and their determinants. In a meta-analysis conducted on eighty studies that estimate WTP for a large number of product categories, the authors of [60] show that certification increases WTP for socially responsible products by 7% on average and that WTP is greater for products for which the socially responsible element benefits humans (e.g., labor practices) compared to those that benefit the environment. In addition, several studies using controlled experimental frameworks show that consumers are willing to pay (slightly) higher prices to buy a product that implies a donation to an NGO [61–63].

Wagner confirms the profitability of this strategy for firms. Indeed, his study on 358 US firms shows that corporate sustainability performance impacts economic performance less positively in firms with low levels of differentiation and signalling (as measured by advertising intensity) than it does in firms with high levels of differentiation and signalling [64].

As a first conclusion, while companies and NGOs are generally seen as pursuing different objectives, the initial elements of this study show a convergence of their drivers because each partner enters the other's sphere. Through a partnership, an MNC and an NGO share similar objectives, viability and visibility, and exchange essential resources, information and legitimacy.

Indeed, one can observe organizations born of civil society initiatives with a common good objective. Given their motivations and objectives, such organizations have an incentive to work with large, consumer-oriented, well-known companies to obtain visibility and viability. They are then transformed and adopt the methods and functioning of these MNCs. As is often the case with companies or consulting firms, they communicate little, if anything, about the services they perform for the sake of confidentiality. These NGOs have clients, they are inspired by the methodologies of consulting firms and the operations of MNCs, and they thereby become business-like [65]. These corporate–NGO partnerships thus introduce a market-driven logic into the nonprofit sector.

On the corporate side, these partnerships are also changing the positioning of companies and blurring existing boundaries. In recent years, some MNCs have decided to give impetus to CSR by joining forces with NGOs to promote sustainable development and CSR in their sector or country. For instance, since the turn of the century, roundtables have been created to gather the main private actors in a global commodity chain in addition to social and environmental NGOs to make the entire commodity chain more sustainable, often through a labeling scheme. A roundtable on sustainable palm oil, an initiative of Unilever and the WWF, set the trend for the initiation of roundtables in other commodity chains.

3. Processes of the Partnership

The development of corporate–NGO partnerships has been well analyzed in the management literature by using a chronological sequence of the evolution of such partnerships at three different stages: formation, implementation, and outcome [13,66–70]. In the context of partnerships formed through sustainability labeling schemes, the induced association between the firm's brand and the NGO's logo raises several more specific questions in the implementation: the purpose of the partnership, the related corporation's brand management, and the level of involvement of partners.

3.1. Purpose

Despite numerous international reports, a universally accepted and understood definition for sustainability is lacking. A crucial question concerns how to translate sustainability issues into a firm's social responsibility and into a product having a sustainability attribute [8]. Indeed, in practice, sustainability induces a multiplicity of criteria that can be integrated into products, production processes, supply chain actions, and trade relations [71].

In terms of topics, one can distinguish sustainability issues that identify relevant "ideals", such as recycling, from sustainability issues that avoid "ills", such as dolphin protection [8]: agreeing on the ills to be avoided (e.g., poverty) is often easier for a heterogeneous society than agreeing on the ideals to be achieved (e.g., the ideal income distribution). Differences also arise with respect to generic issues (e.g., fair trade), sector-specific labels (e.g., dolphin protection), and firm- or value-chain-specific problems. Generic labels are appropriate for products for which standards can be easily defined and for which there are no controversial political issues [8]. However, concepts such as sustainability, ethics, and fairness are ambiguous and controversial, and clearly defining the problem is essential for the success of a partnership. For instance, fair trade is a trading strategy that guarantees producers a fair price for their products. What does a "fair price" mean for a product grown by producers living in countries with different living conditions and with different methods [48]?

The strategic approach to target a relevant issue is not only to identify a particular set of societal issues that the firm is the best equipped to help resolve and from which it can gain the greatest competitive benefit but also to sort social issues into three categories—generic social issues, value chain impacts, and the social dimensions of the competitive context—for each of its activities and locations with respect to the principle of shared value [43]. This is a good way to identify the points of intersection between activities and societal problems with respect to the principle of *shared value* and to find consistency between a relevant societal issue to manage and a product offered by the firm. On this basis, the firm can target the relevant NGO and specify what the NGO can provide in terms of technical support, skills, and networks. A successful partnership can only emerge if both partners construct a shared purpose as the object of the partnership.

To meet this demand, many NGOs reorient and expand their action by using their knowledge through activities such as training, information sharing, consultancy or advice for companies; thus, they can ultimately supply turnkey goods and services, such as labels. The more established and larger NGOs employ policy analysts, lawyers and scientists, with skills weakly present in the business world. For instance, the internationally recognized fair trade organization, the FLO, defines itself as a worldwide network of producers, trading companies, and national labeling initiatives that sets fair trade standards and provides fair trade certification and trade auditing. Due to its extensive practical field experience, the FLO provides access to a network of producers or contact facilitation to create a specific network of suppliers.

3.2. Brand Strategies

A CSR product-oriented action must fit into a brand strategy. Indeed, a firm may invest in its brand to render the relevant sustainability issues consistent with its other messaging to consumers. Four strategies have been identified to implement a sustainability program through a brand by selling labeled products [48]. These choices can be viewed as make-or-buy decisions: creating a new sustainable brand or buying it and developing a new standard or using an existing one. The first strategy is to create a new brand that is identified as sustainable, as an alternative through which an international company can implement a CSR approach. In 2006, Danone created Stonyfield Europe and marketed a new brand of organic yogurts in France: "Les deux vaches". Stonyfield Farm, the US partner that holds 20% of Stonyfield Europe, gives 10% of its profits to environmental causes. However, the creation of a new brand by a firm may be expensive and time consuming; moreover, this strategy is riskier than the extension of an existing strong brand. Therefore, the second strategy of extending a firm's product range in the context of a well-established brand is more common. After years of resistance, facing attacks from activists and increasing consumer demand for sustainable products, in 2006, the Procter & Gamble Company, under its brand Millstone, began selling a line of fair trade coffee certified by TransFair USA. The third strategy is the acquisition of a brand with a strong commitment to social responsibility. Indeed, a firm can buy out an existing firm that has distinguished itself from other firms through a long-term commitment to social responsibility, with CSR being a part of its corporate strategy and business identity [39]. Unilever chose such a strategy by buying out Ben and Jerry's in 2000. The fourth strategy is the conversion of an exciting leading brand. In 2009, Cadbury announced that it was going to move to FairTrade sourcing for Dairy Milk, the most popular chocolate bar, with 300 million bars sold per year in the UK and Ireland. Cadbury became the first mass-market chocolate brand to adopt the Fairtrade label.

The success of a brand depends on a firm's ability to select a brand meaning, to transform the meaning into an image, and to maintain the image over time. For the success of a corporate–NGO partnership, a good combination of the two partners in terms of meaning and image must be established without requiring sudden changes. Moreover, a brand with multiple concepts may be less effective at establishing a position, as consumers may have more difficulty identifying the brand's basic meaning.

The same argument can be applied to multiple labels on one product. Indeed, during the past decade, hundreds of labels aiming to guarantee various process qualities (e.g., organic, fair trade, and carbon footprint) have flooded the market. The accumulation of information creates a "halo" effect, whereby consumers experience a feeling for a product based on a few pieces of information and then use this feeling to infer the value of some other attribute [72]. For example, an experimental study shows that consumers' WTP for chocolate is the same, regardless of whether a product has an organic label, a fair trade label, or both, even though the organic and fair trade labels refer to very different attributes [73].

3.3. Commitment

The commitment of partners in corporate–NGO partnerships can vary. The "Collaboration Continuum" by [74] describes how such collaboration evolves over time, depending on a firm's stage of CSR and the firm's motives, as described above. At the philanthropic stage, firms may consider NGOs to be recipients of charitable activities; thus, the interaction between parties may be fairly minimal and unilateral, flowing from the company to the NGO [17]. Moving on to the transactional stage, firms begin to increase the intensity of their interaction with NGOs through resource-exchange activities, such as sponsorships, cause-related marketing, licensing agreements, and certifications. Some collaborations may evolve to the integrative stage, in which corporations move beyond bottom-line considerations to consider how to balance those considerations with social and ecological concerns. The final stage, transformational or transformative engagement, refers to the situation in which firms and NGOs begin to merge their missions, people, and activities. Firms that respond at this level not only embed sustainability in every aspect of their operations and tie it into their strategic objectives but also are interested in managing and integrating stakeholder expectations at each level of their activities. For instance, since its creation, Ben and Jerry's, an American ice cream company, has donated 7.5% of its annual pretax profits to charitable causes through its foundation. This charitable activity is part of its business model, and it has contributed to its reputation. In 2006, Ben and Jerry's adopted the Fairtrade label in Europe and the United States, and, since January 2015, all sugar, cocoa, vanilla, coffee and bananas in Ben and Jerry's products have been certified by the FLO. According to the company's website, the company mission statement includes three parts, namely, economic, product, and social, with the aim of "being a global company and at the same time being a progressive business that is connected to people and communities".

A partnership with a labeling scheme represents the integrative stage of the collaboration continuum, where the value of the collaboration itself becomes critical to both parties with high synergies [74]. Logically, close collaborations with direct and ongoing engagement are more likely to arise with companies that are more advanced in their CSR policy [75]. In practice, an MNC has several options for driving a sustainability program, depending on the level of the CSR process at which the NGO intervenes and the level of the partners' involvement. First, the relationship between an NGO and a firm may be limited to a communication campaign, which can be viewed as a cobranding operation. The WWF has established a significant cobranding program with its Panda logo. Many firms, such as Sony for televisions and Fellowes for recycled paper, cobrand with the WWF to obtain a more environmentally friendly image and to enhance consumers' trust in their brand or product and loyalty. Products must meet environmental and social criteria, and the WWF requests an independent certification of products, such as WWF-accepted labels and certification systems. Second, an NGO may act as a monitoring agency to control the code of conduct implemented by a firm. The Fair Labor Association (FLA), a nonprofit network of universities, NGOs, and companies, was created in 1999 to establish independent monitoring and a code of conduct in firms, including a minimum age and a maximum-hour work week. The FLA conducts independent and unannounced audits of factories that are used by FLA affiliates to evaluate companies' compliance with all code elements and to verify companies' internal compliance efforts. For instance, Nike Inc.'s compliance program is accredited by the FLA. The third option for a company is the creation of a partnership with an NGO to develop a code of conduct or a specific standard. In 2003, Nestlé, with its Nespresso brand, the worldwide leader in high-quality premium portioned coffee, worked with the NGO Rainforest Alliance to improve its performance in terms of quality and sustainability by developing its own standards: the Nespresso AAA Sustainable Quality Coffee Programme. The Rainforest Alliance logo, a green frog, does not appear on the packaging, and it is not used in communications. Finally, a firm may choose an existing well-established label that is owned by an NGO. In this context, the firm must fully comply with the standards that are defined by the NGO. In 2006, Unilever chose this strategy for its Ben and Jerry's brand and adopted the Fairtrade label in Europe and the United States.

Three elements are the dominant criteria for implementing successful partnerships in the specific context of sustainability labeling schemes. First, a clear societal or environmental issue defended by a well-identified NGO in close relationship with the MNC's activities enables the creations of a shared purpose as the object of the partnership. Second, as the partnership induces a combination between the brand of the MNC and the logo/brand of the NGO, this purpose must be consistent with the brand strategy and the brand portfolio strategy formed by the company. Third, this project has to represent a relatively strong degree of involvement from the company.

Moreover, a successful corporate–NGO partnership represents a good opportunity for firms to learn in the emerging field of CSR, and it can be a tool to more closely connect CSR and economic performance [66]. Additionally, from the NGOs' perspective, a partnership represents a way to better understand the business sector at all levels, including governance, activities, and the business impacts on other stakeholders. Finally, a successful collaboration can create spillover for new forms of partnerships and can contribute to a more efficient allocation of resources for the *common good* [67] and to the dissemination of innovative knowledge as a *public good* [46]. Dahan et al. suggest mechanisms whereby MNCs and NGOs can collaborate, through partnerships in base-of-the-pyramid markets, to improve their business models, where partners contribute to the completion of each other's business model, or where they jointly create a novel business model [70].

All these components reinforce the passage to the other organization's sphere and can create a virtuous circle. However, this "mix of genres" between the for-profit and non-profit spheres causes new risks for both types of organization.

4. Risks of Partnerships

The increased role of NGOs in society causes them to face up to their obligation to be worthy of the trust that is placed in them by providing evidence that they are funded independently and have transparent management. Differences in perception, values, and interests between these two actors, unequal power in the relationship and the common risk of image are other difficulties to overcome in the context of a partnership [67]. Successful partnership experiences and the blurred roles between MNCs and NGOs help solve these difficulties but simultaneously cause new problems. Three new additional risks, relatively specific to partnerships with a labeling scheme, are analyzed in the present paper: the new competition among NGOs, NGO capture by firms, and inconsistency in a partnership. Understanding of these risks is important to be able to limit them.

4.1. Competition

An NGO with a monopoly position on a specific issue or cause with a well-known label and existing partnerships with many companies becomes less interesting as a partner for firms from a profit-maximizing perspective because this powerful market position limits the ability of its label to differentiate between the products of potential new partner companies and thereby limits the NGO's attractiveness as a label supplier. Competition between NGOs is thus necessary, and one can observe that the market for NGOs' services has led to an increasing number of NGOs.

However, the competition among NGOs to develop partnerships with companies creates a risk linked to the proliferation of NGOs. The authors of [51] show that the entry of NGOs into the label market generates more intense competition among labels and thereby leads to a reduction in their stringency. Facing competition, NGOs may be tempted to moderate their requirements to attract corporations or to conclude partnerships. Another theoretical work also shows that competition among NGOs leads to a decrease in the most stringent standard but positively produces an increase in overall impact [52]. These works highlight the trade-off between quality and quantity faced by NGOs. In other words, NGOs are caught between the stringency of the required standards accepted by firms wanting to build a partnership with them and the number of firms attracted to their mission. The overall social impact may be intensified either by the level of requirement in the mission statements or the number of firms with the quantity of products sold, as there is an inverse relationship between these two factors.

Fair trade labeling schemes are a good illustration of the competition among NGOs. The FLO recently proposed the development of a Fairtrade Sourcing Partnership (FSP) with a new fair trade label. Currently, for a product to bear the Fairtrade logo, FLO standards require that all ingredients that can be certified must be and that a minimum of 20% of the total product comprise Fairtrade certified ingredients. The FSP would shift from this policy and use a new logo to certify products containing only one certified ingredient—sugar, cocoa, or cotton—even if the ingredient composes less than 20% of the total product. This new scheme aims to increase the volume of commodities being purchased from Fairtrade certified farmers and to engage companies that do not want to commit to the full cost of certifying their products or that are only interested in particular commodities. Nine companies, including Mars, Rewe, and Lidl, signed up for FSP cocoa when it launched in 2014. According to organizations such as Oxfam, the development of the FSP is explained by the decline of market share of the Fairtrade label due to the competition with other labels, such as Rainforest Alliance and UTZ Certified. Indeed, they have grown more rapidly than the Fairtrade label, exceeding it in terms of sales volume [76]. The introduction of new certification marks has contributed to consumer confusion and possibly the erosion of credibility. Moreover, new marks/logos have less stringent standards for fair trade products and are less costly for companies to adopt, leading to a high risk that the marks will devalue the Fairtrade label or become new references for fair trade on the market. After the success of the FSP program with specific products in some countries, Fairtrade is seeking to extend the program to all other products with the new Fairtrade Sourced Ingredient (FSI) model [52].

With their inductive analysis on "nonstate market-driven" governance systems, Bernstein and Cashore explain that with sector-specific labels, as a first step, strict standards are adopted by a small number of firms in an industry, creating niche markets and, as a second step, to attract most mainstream firms, standards setters must relax their requirements [77]. This seems to be well illustrated in the case of the fishery sector. Due to the perceived failure of international and national law to control fishing behavior, the governance of fisheries has been increasingly conducted through voluntary sustainability labels and related certification systems. NGOs have been the front-runners in developing ecolabeling schemes in this sector, with two main international fisheries certification programs, the Marine Stewardship Council (MSC), established by the WWF and Unilever in 1997, but independent of them since 1999, and the Friend of the Sea (FOS), created in 2005 in Europe by the NGO the Earth Island Institute [78]. The first actor, the MSC, has relatively more stringent standards and stricter compliance methods and is more inclusive in relation to the FOS [78,79].

4.2. Capture

An NGO may lose credibility and legitimacy among consumers or citizens, corporations, and other organizations if the NGO's partner experiences a scandal linked to information revelation. This spillover is more likely when the partnership is materialized through an NGO-certified label on products that connects the name of the NGO with the firm's brand. Moreover, an NGO needs corporations to implement standards to achieve its objectives and, ultimately, to exist. Thus, these labeling strategies are riskier for NGOs in terms of dependency on businesses. This idea concerns a central point of the partnership: the exchange of information and the risk of information manipulation on behalf of firms, as information is a strategic input in the partnership. I call this "NGO capture", which is analogous to "regulatory capture". The theory of regulatory capture states that interest groups, such as industry members, have the means to influence public decision makers and will try to capture these decisions to their advantage because of information asymmetry [80]. In our context, a corporation may "capture" an NGO by dominating it through a partnership, that is, a contract, with distorted information. In such a scenario, a firm reveals positive information about its environmental or social performance to an NGO while hiding negative information on these or other dimensions. This situation puts the NGO in an awkward position. This idea of "NGO capture" may be related to that of the "co-opted NGO". Baur and Schmitz define co-optation as the ability of a corporation to "bring the interests of a challenging group into alignment with its own goals" [81]. Co-optation results in the loss of NGO autonomy. However, the alignment between firms' and NGOs' interests through partnerships can create a capture of the NGO only through information asymmetry in favor of firms as well as through information manipulation or withholding information.

An illustrative example of this risk is the change in the partnership between Fairtrade and Mondelēz. In 2016, Cadbury, a British multinational confectionery brand owned by Mondelēz International, pulled out of the Fairtrade labeling scheme, replacing it with the Mondelēz-owned Cocoa Life program created in 2012. However, the Fairtrade logo appears on the reverse of Cadbury's Cocoa Life-marked bars because although the product no longer follows Fairtrade standards, the Cocoa Life program is verified by FLO-Cert, the global certifier for Fairtrade. There seems to be substantial differences between the independent Fairtrade label and the Mondelez-owned program, such as the minimum guaranteed price for producers in fair trade criteria; however, neither Fairtrade nor Mondelēz has published a comparison of the two labeling schemes. Other MNCs, such as Nestlé with its Cocoa Plan launched in 2009, have developed their own sustainable sourcing schemes after working with NGOs. Sloane Hamilton, a labor rights policy advisor at Oxfam, said that "standards measuring environmental and social issues need to be transparent because, once this process happens behind closed doors, it is difficult to see how companies and farms apply them" [82].

NGOs face the challenge of maintaining independence and avoiding manipulation, as independence is a core credential and a sign of legitimacy. The primary factors that protect NGOs from being captured by businesses are evaluation mechanisms with external audits, such as certification and accreditation, and relationships with other business partners to prevent financial dependence. Moreover, NGOs should protect themselves against the risk of "NGO capture" through a contractual commitment defining the partnership: any information disclosure affecting the purpose of the partnership could induce a breach of the partnership. Independence is also in the best interest of NGOs' corporate partners because it is crucial for the long-term credibility of the partnership [81]. The risk of capture and greenwashing appears to be greater when the level of commitment between partners is at the transactional stage due to the low exchange of information when the synergies between both entities are not strong. Moreover, in an integrative or transformational stage, there are generally greater reciprocal information flow, transparency, trust, and interdependency in the project, which might reduce the risk of capture. In 2008, Unilever decided to work with its suppliers and with the Rainforest Alliance to certify new cocoa farmers in West Africa [83]. An example of a long-term partnership is that, currently, over 98% of Magnum cocoa beans are sustainably sourced from Rainforest Alliance Certified producers. Moreover, the Ben & Jerry's case is a good example of the transformational stage and of how when there is mission congruency, the probability of NGO capture appears to be low.

4.3. Inconsistency

As partners' reputation and legitimacy may increase through cooperation, partners may lose reputation if an inconsistency appears in the purpose of the partnership or in the association of the two partners. These two elements must make sense at all levels—product, brand, company, association with the NGO—and for all other stakeholders. Dissonances are quickly perceptible and undermine credibility.

Launching CSR activities in a non-credible manner bears a risk of business losses or accusations of greenwashing. For corporations, such accusations may destroy their reputation and legitimacy, affect their production activities, and decrease their profits for a certain period of time. Greenwashing accusations may also spill over to the NGOs involved with such corporations, affecting their credibility and legitimacy while generating a loss of confidence for many society members—the primary capital of NGOs. This risk is intensified because the partnership materializes through a brand's association with an NGO label for specific firm products. For instance, the partnership between the WWF and Coca-Cola aims to conserve water resources and to replace the water that is used to produce drinks sold by the company, i.e., "global water neutrality". However, many analysts label this partnership greenwashing because the term "water neutrality" is not scientifically defined and because Coca-Cola still faces problems in misusing water resources. This controversy affects the WWF, which stands accused by some media of being "too dependent on corporate cash to campaign objectively, too close to companies to challenge the business-as-usual orthodoxy" [84]. This scandal may tarnish an NGO's other corporate partners. For instance, how can a company such as Rainett, a partner of the WWF since 1999 and the pioneering brand of ecological cleaning products thanks to Ecolabel certified ranges, react?

In addition, an inconsistency in the image of the partnership can lead to failure. In this way, Kraft has been working with the Rainforest Alliance since 2003 to create, among other things, a new coffee in France under the Jacques Vabre brand, "un café pour agir" (a coffee for action). Under the terms of the agreement, Kraft funds the technical assistance and training required to improve living and working conditions on coffee farms, purchases significant and increasing quantities of certified sustainable coffee to blend into its mainstream European brands, and stimulates consumer demand in Western European and US markets through the introduction of 100% certified products under existing trademarks. The product "un café pour agir" was nevertheless a commercial failure in France for two reasons. First, Rainforest Alliance was not known in France at the time; the label bears no significance to consumers. Second, the name of the product, which was very militant, was far from the brand's roots. Currently, Kraft sells several products of the Jacques Vabre brand with the Rainforest Alliance logo, without a particular product name. To protect themselves against such risks, NGOs must maintain consistency in their messaging and actions and must carefully choose partners with which they can work for long periods of time, even after a commercial failure.

Furthermore, concessions made by some corporations to develop a partnership with some NGOs may be unreasonable for other stakeholders. First, some shareholders might think that firms' profits could be sacrificed with such a strong CSR approach. This *trade-off* hypothesis reflects that CSR activities have few easily assessable economic benefits but entail numerous costs that lower shareholder wealth [85]. The risk for the firm is then a lack of financial assets. Second, in the same vein, the *window dressing* hypothesis suggests that opportunistic managers can use corporate resources to engage in conspicuous CSR activities to enhance their individual reputations, to avoid negative attention, or to disguise their under-performance, to the detriment of both shareholders and other stakeholders [85,86], including NGOs as partners. These two risks are nevertheless limited in the context of strategic CSR activities through voluntary product labeling schemes with a tripartite standards regime because external audits and controls are conducted on the one hand, and, on the other hand, much information has to be exchanged between both partners, through especially sustainable development, financial, and marketing managers [48]. Finally, a high degree of engagement from corporations in partnerships on social issues can result in an excessively strong mix of roles between companies and NGOs. This raises questions about corporate governance, the social role of firms, and corporate substitution for the state in the selection of fair causes.

5. Conclusions

Partnerships between businesses and NGOs in the pursuit of CSR through voluntary product labeling schemes have become increasingly prevalent in recent years. This article studies these collaborative relationships based on economic and management concepts and streams of literature and includes numerous examples. The aim is to provide some theoretical explanations for such developments, with the main conclusion being that the drivers and risks of both partners converge and mix. Indeed, the previously well-defined boundaries between companies and NGOs are blurred in the context of some CSR activities, thus allowing the expression of new identities that carry solutions through a new way of conceiving of both the company and the NGO. The existence of shared goals, viability and visibility and the complementarity of resources, mainly information and legitimacy, are the basis for a successful partnership. However, these blurred roles between MNCs and NGOs may also entail risks for both types of organizations. In other words, if the roles and the motives of each partner mix, then the risks also mix.

In this context of partnerships through voluntary labeling schemes, like firms, NGOs bear the risks related to the competitive market, specifically, direct competition, commercial failure, and lack of profitability. NGOs may make concessions, for instance, on the criteria of their labeling standards, to keep their market power on the label market, to the detriment of their mission and social or environmental issues. This argument is related to the dependence. Indeed, partnerships may be problematic because they create resource dependence for NGOs, compromising their ability to challenge firm behavior. This dependence also induces the risk of "NGO capture" by businesses due to information asymmetry between partners because the main input in the relationship is information; through labels and certifications, NGOs summarize the information that firms reveal to them directly or indirectly through the certification process. This can result in a loss of trust in the nonprofit sector along with a loss of identity for NGOs, essentially turning NGOs into consulting firms. To limit the risks related to corporate–NGO partnerships, NGOs must try to differentiate themselves by focusing on specific and well-defined issues. By collaborating with several firms from different sectors on specific issues, NGOs avoid direct competition and remain independent from the corporations with which they work.

Future research should investigate empirical evidence of the risk of "NGO capture", especially by focusing on case studies with information exchange analysis. Future research should also focus on variation in the corporate side while accounting for the differences among NGO partners and their strategies. In economics, it might be interesting to develop theoretical studies about NGOs' objectives to better forecast their behaviors and the relationships with the agents with whom they interact, such as consumers, firms, governments, and other NGOs. Moreover, as the role of NGOs is continuously growing, questions of their accountability and legitimacy become more relevant and should require consideration. Since large NGOs become business-like, the issue of NGO governance should be studied through theoretical and empirical approaches, in the same way as is done in the literature on corporate governance and CSR [86,87].

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