

Reaching for a longer spoon

The disaster in the Gulf of Mexico is straining ties between companies and activists.

IT IS not just Barack Obama and Tony Hayward, BP's boss, who are under fire because of the environmental catastrophe unfolding in the Gulf of Mexico. In the decade or so since BP acknowledged the need to slow climate change and signalled its commitment to investing in cleaner sources of energy with the slogan "Beyond Petroleum", many environmental activists and NGOs have laid down their placards and helped the firm execute its green strategies. They are now facing intense criticism of that collaboration from their own supporters, who say the oil spill has left BP's (always contentious) green claims "Beyond Parody" and the company "Beyond the Pale".

The website of one such NGO, the Nature Conservancy, has been bombarded with complaints from donors horrified by the discovery (although it had never hidden the fact) that over the years it had received around \$10m in gifts of cash and land from BP, and had even given the oil giant a seat on its "International Leadership Council". Another, Conservation International, has accepted over \$2m from BP, advised the firm on its oil extraction methods, and from 2000 to 2006 included on its board John Browne, BP's boss at the time and the moving force behind the firm's conversion to greenery. The Environmental Defense Fund, another big NGO, had helped BP develop its internal carbon-trading system, and more recently campaigned alongside it for a law to cap America's emissions of greenhouse gases through the US Climate Action Partnership (USCAP), an alliance of NGOs and big businesses. Other prominent NGO members of USCAP include the Nature Conservancy, the Pew Center on Global Climate Change, the Natural Resources Defense Council and the World Resources Institute.

The scrutiny of these ties to BP is intensifying the perennial debate about how long a spoon NGOs should use when supping with corporate devils. The failure of governments to make progress on a new climate deal in Copenhagen last December had already prompted some debate among activists about whether a more confrontational style of campaigning was needed to stir the world from its torpor.

The renewed debate comes when relations between business and NGOs (environmental and otherwise) are closer than ever before. In 1990, when Environmental Defense announced an agreement to help McDonald's reduce the environmental impact of its packaging, there was shock and dismay from activists and business alike. Environmental Defense was accused of selling out, while the fast-food retailer, which had previously had a reputation for hostility to green causes, was chided by some of its peers for allowing tree-huggers into the boardroom. "At the time, it was heresy to say that companies and NGOs could work together; now it is dogma, at least for the Fortune 500," says Gwen Ruta, who oversees Environmental Defense's corporate partnerships. Its current collaborators include such frequent targets of activists' ire as Wal-Mart, a giant retailer with no time for unions, and Kohlberg Kravis Roberts (KKR), a private-equity firm often depicted as a financial predator.

The spill seems certain to prompt NGOs to review their ties to business. Lenny Mendonca of McKinsey, one of the authors of a new report, "Shaping the Future: Solving Social Problems through Business Strategy", sees a "risk of heading into a vicious circle of antagonism." But he believes that would be a mistake.

The report, published by a group called the Committee Encouraging Corporate Philanthropy, whose members include dozens of corporate bigwigs, argues that various factors will encourage firms to embrace worthy causes more warmly in future: the likelihood of government action on climate change, the growing importance of a firm's reputation when it comes to recruiting and the emphasis that the governments of booming emerging markets

place on good corporate citizenship. All this, the report optimistically argues, could drive a "self-reinforcing state of trustworthy, pro-social corporate behaviour that simultaneously delivers bottom-line results and community benefits."

Collaboration between business and NGOs, if well designed, can certainly yield significant mutual benefit. This week Environmental Defense and KKR reported that the first two years of their partnership, which aims to cut costs in KKR's portfolio of companies through energy efficiency and other green measures, had already generated savings of \$160m. The same approach has now been adopted by at least one of KKR's rivals, the Carlyle Group.

The efforts of McDonald's to address NGOs' concerns, starting with its partnership with Environmental Defense, have been "as important to the company's success as the Happy Meal", says Walter Massey, a director who chairs the firm's committee on corporate social responsibility. He was particularly delighted by a partnership with Greenpeace to exclude soyabeans grown on deforested land in the Amazon from the company's supply chain, which "led to the Greenpeace campaign director issuing a statement congratulating McDonald's for pushing 'a multimillion-dollar industry towards a more sustainable future'."

For several years Mr Massey has also been on the board of BP, which he believes benefited from its work with NGOs after a deadly accident at a refinery in Texas in 2002. "The company's reservoir of goodwill, built up over years of committed corporate stewardship, was of critical aid in helping us to weather the storm," he said in March. The latest crisis suggests that the reservoir is not bottomless, however.

BP's travails (see article) illustrate the limits of enthusiastic corporate citizenship. However much BP works with NGOs, it will find it impossible to move beyond petroleum, with all its attendant environmental problems. Likewise, PepsiCo will struggle to live up to the spirit of its pledge to promote healthier living while the bulk of its profits comes from fattening drinks and snacks.

Partnerships that address NGOs' misgivings about a firm's supply chain are likely to prove much more successful. That has certainly been the case at Wal-Mart, which has demanded higher environmental standards from its suppliers, to widespread acclaim. Efforts by firms such as Coca-Cola to work with NGOs to conserve water and increase access to it in the developing world have promise since they should make it easier for the firm to secure a reliable supply of the main ingredient of its drinks.

The spill also highlights the question of whether NGOs should accept money for the advice they give to companies. For organisations such as the Nature Conservancy, which protects ecologically sensitive spots by buying them or persuading others to set them aside, businesses are a big source of income. But partnerships with grubby firms risk turning off its million-odd individual donors.

Campaigning NGOs, which rely on a reputation for righteousness, are particularly at risk. The website of Greenpeace, whose activists like to chain themselves to things, is full of reminders that it never accepts money from companies. Similarly, there has been relatively little criticism of Environmental Defense because, from its first dealings with McDonald's, it has never accepted any corporate dollars. Ironically, this policy had prompted grumbles from some big individual donors, who asked why firms as rich as Wal-Mart and KKR should be the ultimate recipients of their charity.

The spill has presumably squelched such talk. Firms on the lookout for ways to improve their image and NGOs hoping to bring about meaningful change seem like natural partners. Most of the time the benefits of co-operation outweigh the risks. But whenever money changes hands,

suspensions are bound to arise. The NGOs which accepted BP's largesse presumably now wish that they had brought a longer spoon to the feast.

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